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First steps into self-employment in Münster

A handbook for international researchers aiming to start a business

by international.founders network

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Your Path to Starting a Business in Germany

Are you an international researcher thinking about starting your own business in Münster/Germany? Whether you've just arrived or have been here for a while, this handbook is for you. Entrepreneurship opens exciting doors, but it also comes with challenges—like figuring out how to fund your idea, understanding legal requirements, and turning your vision into reality.

This guide will walk you through the key steps and resources available to help you succeed.

The second chapter shows you the differences between freelance work, founding a start-up and setting up a small business as well as all the information you need about taxes and different business types in Germany.

Let us guide you through German bureaucracy!

Let's lay the foundation for your success together!

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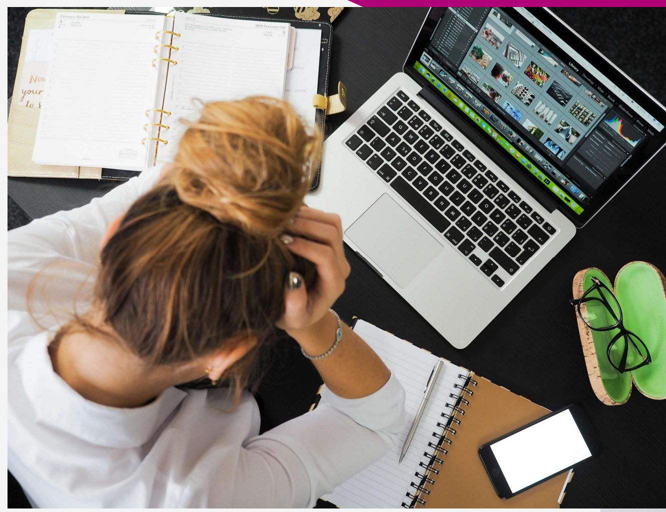

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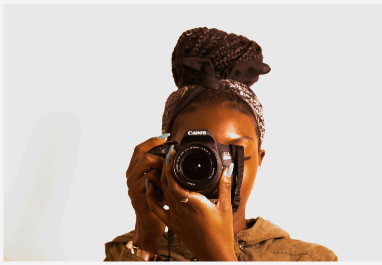

Freelance vs. Start-up vs. Small Business

What are the differences between a freelance occupation, founding a start-up and setting up a small business (Existenzgründung)?

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Freelance

Freelancing refers to self-employment where individuals offer their skills or services to clients on a project or contract basis, rather than working as permanent employees. This can include a wide range of activities such as consulting, graphic design, IT services, writing, translation, or tutoring.

Can you become self-employed?
In order to work independently, your residence permit must explicitly state "Employment allowed" ("Erwerstätigkeit gestattet") or "Self-employment permitted" ("selbständige Tätigkeit gestattet"). If you have been recognized as entitled to asylum, refugee status or subsidiary protection, you should be able to find one of these sentences on the small green sheet you have received, along with your residence permit, from the Immigration Office. If your residence permit does not allow self-employment, you can, under certain conditions, apply to the Immigration Office for a residence permit in accordance with §21 par. 6 Residence Act.

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Freelancing means, you either provide a service in a liberal profession…

- Professions such as: lawyer, artist, software developer, trainer, translator, photographer etc.
- You need to register at Finanzamt (Tax office) for a company tax number.
- Every year you make a tax declaration with your gains and losses.
- You might need special licences to be able to do this job in Germany, like doctors.

…or you are Trade-sole proprietor:

- You provide goods such as: etsy shop, influencer or any other trade
- You need to register your business through a form (Gewerbeanmeldung)
- If it will be your side job, choose „Nebengewerbe“ in the form.
- Register with Finanzamt (Tax office) for a company tax number with a tax registration form (apply for VAT ID or not)

Get further information about working as a freelancer here .

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Small Business (Existenzgründung)

A small business, or "Existenzgründung" in German, refers to starting a business on a smaller scale, often as a sole proprietorship or partnership. This can include opening a shop, café, restaurant, consultancy, or craft business.
Unlike startups, small businesses usually focus on stable, long-term income rather than rapid growth. Founders in Germany must register their business with local authorities and fulfill tax and legal obligations, but a wide range of support services is available to help with the process.

Good to know:

Small Business Regulation ("Kleinunternehmerregelung")

If your annual turnover does not exceed €25,000, you can use the so-called small business regulation. As a small business owner, you do not have to pay sales tax ("Umsatzsteuer") to the Tax Office. Thus, you are also exempt from the sales tax pre-registration ("Umsatzsteuer-Voranmeldung"). In addition, for small businesses, simple bookkeeping and profit determination is usually sufficient. When registering with the Tax Office, you can already indicate in the tax collection questionnaire that you would like to use the small business regulation.
Please note: As a small business owner, you are not allowed to claim sales tax on your invoices- and you must specify sales tax is not included, for instance, by adding this sentence: "Gemäß § 19 UStG wird kein Umsatzsteuer berechnet". And of course, you cannot deduct any input tax ("Vorsteuer").
As soon as your turnover increase or in case you want to forego the small business regulation for other reasons, you can inform the Tax Office in an informal letter and switch to regular taxation.

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Start-up

A start-up is a young company that was founded to realize an innovative business idea. The following characteristics typically characterize a start-up:

- *Novelty*: Start-ups often bring innovative products, services or business models to the market. They are usually younger than 10 years
- Rapid growth: Start-ups strive for rapid growth, they want to grow in employees and revenue and have a scalable business model that works locally and regionally.
- *Uncertainty*: Start-ups operate in an environment of high uncertainty regarding market, product and business model.
- *Flexibility*: They are agile and can adapt quickly to market changes.
- *Willingness to take risks*: Founders and investors often take high risks.
- *Technology-orientation*: Many start-ups are based on new technologies or digital business models.
- *Limited resources*: Start-ups often start with limited capital and personnel.

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Self-employment as a side job?

- As a doctoral candidate (student):
  - Check your scholarship if you are allowed.
  - Non-EU doctoral candidates: check your residence permit allowance
- As a researcher:
  - Check your working contract/ your scholarship agreement if you are allowed.
  - Apply for a special permission at the university prior.
  - Possible 8 hours a week with a full-time job
  - Non-EU researcher: Check your residence permit allowance.

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Taxes

Double Taxation

This happens when two countries tax the same income. For example, if you earn money in Germany but are also taxed on that income in your home country. This is especially relevant for:

- Researchers or consultants with income from international projects
- People with residency or tax obligations in more than one country
- Startup founders with clients abroad

Double Taxation Agreements (DTAs)

To avoid unfair taxation, Germany has signed Double Taxation Agreements (DTAs) (Doppelbesteuerungsabkommen (DBA)) with over 90 countries. A DTA ensures that:

- You are not taxed twice on the same income.
- Each country has clearly defined tax rights (e.g. which country taxes freelance income, interest, dividends, etc.)
- You may receive a tax credit or exemption for taxes already paid abroad.

Find Germany's DTA with your country on the official German Ministry of Finance website German Ministry of Finance website (countries listed in German)

Value Added Tax (VAT) in Germany

Known in German as 'Mehrwertsteuer' or 'Umsatzsteuer', is a consumption tax applied to most goods and services in Germany. It is typically included in the final price paid by the customer and is collected by businesses on behalf of the government.

Who needs to deal with VAT?

If you plan to start a freelance career (Freiberufler), Register as self-employed or launch a startup company you will likely be required to charge VAT on your invoices, submit VAT returns, and pay the collected tax to the tax office (Finanzamt).

Key VAT Rates in Germany

- 19% – Standard rate (applies to most goods and services)
- 7% – Reduced rate (e.g. for books, public transportation, some food)

Register for VAT

Before you can register for VAT, you must first register your freelance activity, sole proprietorship or company) with the local tax office (Finanzamt). You do this by filling out and submitting the "Fragebogen zur steuerlichen Erfassung" (Tax Registration Questionnaire) online via ELSTER (official tax portal of the German tax authorities).

After processing your registration, the tax office will:

- Issue a Tax Number (Steuernummer) for domestic use
- Issue a VAT ID Number (USt-IdNr.) for cross-border business within the EU (if requested)
- Confirm your VAT status

This process can take a few weeks, depending on your local tax office.

Business Types in Germany I

Sole Proprietorship (Einzelunternehmen)

- Owned by one person.
- No minimum capital required.
- Easy to start (usually just registering with the local Trade Office – *Gewerbeamt*).

Pros:
- Simple and low-cost to set up.
- Full control by the owner.
- Straightforward tax structure.

Cons:
- Unlimited personal liability (you're liable with your private assets).
- Harder to get large funding or investors

Partnerships (Personengesellschaften)

Common forms: **GbR, OHG, KG**

GbR – Civil Law Partnership

- At least two founders.
- No minimum capital.
- For small, non-commercial businesses

Pros:
- Very easy and low-cost to form.

Cons:
- All partners are personally and jointly liable.

OHG – General Commercial Partnership

- For commercial businesses.
- Requires registration with the Commercial Register (*Handelsregister*)

Pros:
- Flexible, good credibility.

Cons:
- All partners have full personal liability.

KG – Limited Partnership

- Two roles: general partner (unlimited liability) and limited partner (liable only up to investment).

Pros:
- Partial liability protection.

Cons:
- Limited partners have no say in daily management.

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Business Types in Germany II

Corporations (Kapitalgesellschaften)

Most common: **UG (limited liability),GmbH**, **AG**

UG – Entrepreneurial Company

"Mini-GmbH" version; minimum capital: **€1**
Must retain a portion of profits until it converts into a GmbH.

Pros:
Ideal for startups with low initial capital.

Cons:
Less trustworthy image compared to GmbH, profit retention required.

GmbH – Limited Liability Company

Minimum share capital: €25,000
Must be registered in the Commercial Register.
Liability is limited to the company's assets.

Pros:
Liability protection, professional image.

Cons:
Higher setup costs and formalities.

AG – Stock Corporation

- Minimum share capital: €50,000
- Can issue shares to the public.

Pros:
Access to capital markets.

Cons:
Complex structure, expensive to set up and maintain.

Helpful links and resources

- Register your company | Gewerbeanmeldung.de
- Handbook: Start your business in Germany (IQ)
- Website in 13 languages about self-employment in Germany | Wir gründen in Deutschland
- Types of businesses - Make it in Germany
- Legal forms of doing business in Germany – IHK
- Business development Münster
- Unternehmen gründen – in 10 Schritten | münster gründet! (in German only)

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