



MODULE NR 7

Rules and obligations of a green business -
general Information

Learning outcomes

You learn:

- To understand the basic rules of opening a business.
- How to find relevant information about the national legislation.
- To use helpful digital tools to calculate taxation.
- How do you can estimate the primary tax obligations.



Figure 1: How to open a business

Basic Information



In this module, you will learn how to open a business.



This module contains one exercise.



You will need 15 h to finish the module.



You need 66% correct answers to pass this module.



Your lecturers are Vladimir, Clement, Michael, and Peter.

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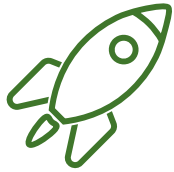
Content

LEARNING OUTCOMES	0
BASIC INFORMATION	1
Welcome to Module 7!	3
Understand the type of business	3
Registration EAMS	4
The EU Ecolabel	8
Taxation and Business Structure	10
COUNTRY SPECIFIC INFORMATION	11
Austria	11
Types of Businesses	11
Trade licence.....	13
Social Security	15
Taxation in Austria.....	15
Example.....	16
Employing staff when starting a business in Austria	17
Useful digital tool	18
Cyprus	20
Types of Companies	20
Company Registration	22
Company Registration in (the South of) Cyprus: 5-Step Process	22
Taxation in Cyprus	24
Social Security	26
Bulgaria	28



Types of companies in Bulgaria	28
Company Registration in Bulgaria.....	30
Taxation in Bulgaria	30
Social Security	32
Germany	34
Types of Businesses	34
Taxation in Germany	40
Social Security Rate for Companies	44
France	46
Types of Businesses	46
Registering A Business in France	52
Taxation in France	53
Reference list.....	56
List of Figures	57

Welcome to Module 7!



Welcome to Module 7. When starting a new green business, entrepreneurs should follow all the rules of running a small business. New companies have many legal requirements, including financial regulations, tax obligations and employment laws. Make sure your new green company meets its legal responsibilities, so you can focus on growing your business. In the Module, we want to give you a general overview and some basic information about the registration of a green company. You will get information about taxation for Austria, Germany, France, Cyprus, and Bulgaria.

Understand the type of business

You first need to know the type of business you want to start. There are different types of business. It's essential to know the kind of business before you start so you know what permissions you need.

You need to know the rules to start a new company or expand your business. (“Starting a business in the EU: Registration & support - Your Europe”).

There is a helpful way to get the correct information.

Points of Single Contact (PSCs) are e-government portals that allow service providers to get information and complete administrative processes online.



Figure 2: Points of Single Contact, Screenshot



PSCs provide national information to help you deal with a wide range of practical issues:

licences, notifications or permits needed to start a business

requirements for offering services on a temporary basis

recognition of professional qualifications and regulated professions

labour and social laws

rules for public procurement

More about country specific rules and regulations:

ec.europa.eu/growth/single-market/single-market-services/services-directive/practice/points-single-contact_en

Registration EAMS

We recommend registering your green business on the EMAS Platform after starting a new business in your country.

What is it about?

By monitoring and improving your business's environmental performance, you can help to reduce your energy consumption, make sure that the resources you use to protect the environment are used as well as possible, and improve your reputation.

EMAS can help your company:

cut costs related to **resources** and **waste management**

minimise environmental risks and danger of fines related to environmental legislation

comply with regulatory requirements

benefit from environmental regulatory relief
(for example, reporting requirements and inspections)

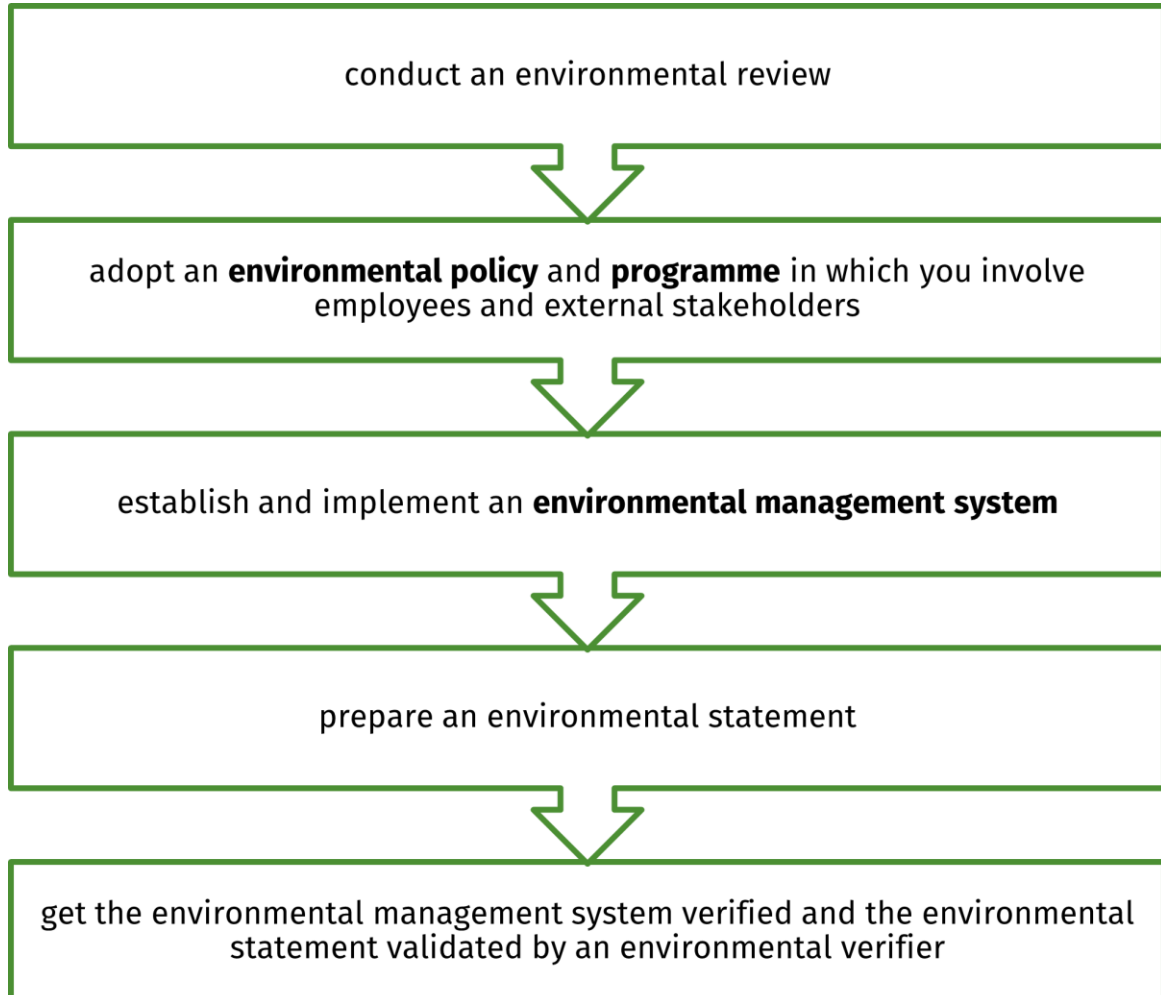
improve relations with internal and external **stakeholders**

continuously improve your environmental **performance**

achieve a competitive advantage by enhancing your credibility, transparency, and reputation among your customers

An independent third-party check the environmental management system to ensure the scheme is legit. Only registered organisations may use the EMAS logo.

To get EMAS registration, you must take several steps, such as:





EMAS Registrations

Did you know that the **European Commission** is registered with EMAS? And so are many other EU institutions such as the **European Parliament**, the **General Secretariat of the Council of the EU**, the **European Environment Agency**, the **European Central Bank** and the **European Union Intellectual Property Office**.

To ensure transparency, these EU institutions and all other EMAS registered organisations collect information about their environmental activities, plans and performance and make this publicly available. In the **EU EMAS register** you can search for EMAS registered organisations and view the profile of each organisation. The Helpdesk also compiles the **official statistics on EMAS registrations** and

Figure 3: EAMS Registration, Screenshot

More about how to register:

ec.europa.eu/environment/emas/emas_registrations_en.htm

The EU Ecolabel

The EU Ecolabel might be interesting to know as a new green entrepreneur. The EU Ecolabel is an Ecolabel that labels environmentally friendly products and services across Europe.

Established in 1992 and recognised across Europe and worldwide, the EU Ecolabel is a label of environmental excellence that is awarded to products and services meeting high environmental standards throughout their life-cycle: from raw material extraction, to production, distribution and disposal.



Figure 4: EU Ecolabel - eu-ecolabel.de

The EU Ecolabel encourages producers to make less waste and CO₂ during manufacturing. The EU Ecolabel criteria also help companies make products that are durable, easy to fix, and made from recycled materials.

The EU Ecolabel criteria help companies lower their environmental impact and prove that their environmental actions work through third-party checks.



Many companies use the EU Ecolabel criteria to help them make environmentally friendly products.

Today, many products and services are already certified with European Ecolabel. These products and services are like those with the Austrian Ecolabel. They are all environmentally friendly, high quality and durable.

Here are some helpful links:

General Information:

ec.europa.eu/environment/ecolabel

How to apply:

ec.europa.eu/environment/ecolabel/how-to-apply-for-eu-ecolabel.html

Video to find out more:

youtube.com/playlist?list=PLIzqPSxpstTnv9Mpw66K5a6lv0PFCWzy6

Taxation and Business Structure

Every business owner is legally required to pay taxes. This includes income tax, self-employment taxes, and for some businesses, sales tax.

It is wise to hire an accountant or tax advisor to ensure you comply with all tax laws.

Taxes are one of the many legal requirements for business. Some companies may have to pay state, central, and local taxes. Different companies have different tax requirements, and knowing them in advance can be helpful.

Keeping good accounts and auditing them is essential for following the rules of accounting and tax laws. Many start-ups need to think about accounting requirements at the beginning, but ignoring them can lead to big problems later.

Business Structure

You must choose your company's business structure as a new business owner. Here you find the different forms from Austria, Germany, Bulgaria, France, and Cyprus. You will also find information about taxation from every country.



Country specific information

Click here to get to your country specific information:



[Austria](#)



[Germany](#)



[Cyprus](#)



[Bulgaria](#)



[France](#)

Austria

Austrian business culture demands a high level of formality. For example, meetings with authorities are always scheduled in advance and follow a precise agenda. Also, it's important to have in mind that learning German can really improve your work possibilities in Austria.

Types of Businesses

There are many different types of businesses in Austria. The most popular is a limited liability company or a GmbH. This is the easiest type of company to form because you don't have to meet share capital requirements.

Limited Liability Company (GmbH)

A GmbH is a legally independent body, which means it is separate from its owners. The biggest advantage of this type of company is that owners are not legally responsible for anything except the start-up money.

However, there are many barriers when setting up this type of company. For example, it requires a minimum capital of €35,000 and a large amount of paperwork.

Joint-Stock Company (AG)

Working similarly to a limited-liability company, this type of company is called *Aktiengesellschaft* (AG) in Austria. The main difference is that an AG needs immense start-up capital and is more suitable for large firms.

European Company (SE)

These companies are a great choice because only people or companies with a business in Austria can set them up.

Partnerships

There are two types of partnerships in Europe. If you are starting a business in Austria, you should know the difference.

A General Partnership (OG) is a non-corporate company and does not require many formalities; you must register the business.

Furthermore, you do not even have to have start-up capital. All partners will bear complete responsibility. A Limited Partnership (KG) limits one



partner's responsibility while the other partner takes on all the liability as the director or manager of the company.

Sole Proprietorship

If you start a business in Austria by yourself, you will begin with this type of company. It also fits if you are a freelancer. This is because sole proprietorships have only one individual owner. This gives that person the comfort of running the business alone, but they also have to accept full responsibility. The company must be insured by the Austrian Social Insurance Authority for Business.

Overview of legal forms in Austria:

investinaustria.at

Trade licence

New business owners usually have to get a trade licence from the local district authority. You'll need to give your personal information, the location of your business, and the type of business it is. You must also register your business with the Austrian Commercial Register.

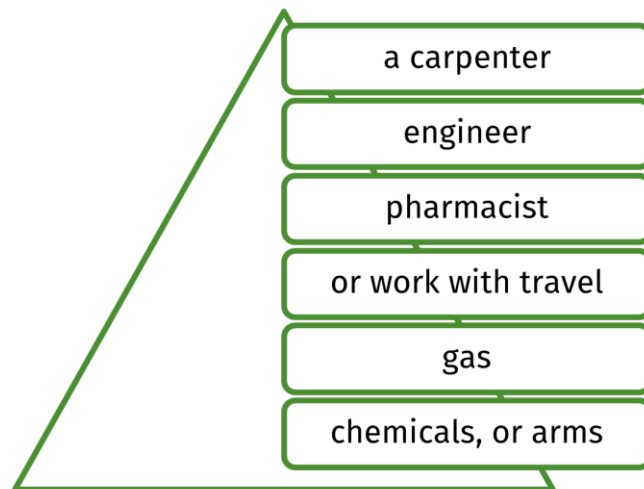
They will need your personal information, including your passport, the type of business, and several fees that need to be paid, including a trade licence. All documents are required to be translated into German by an official translation service.

A notary must also certify official copies. Once all the registrations have been approved, and all the fees have been paid, the business can legally trade.



Furthermore, certain occupations and businesses require a specific license.

These are primarily for trade with a fundamental level of regulation in Austria. For example, if you are:



While it can be easy to get one, you will have to show proof of skills, professional training, and work knowledge.

For further information:

wko.at

Social Security

There are a few other requirements that you must meet very soon after starting a business in Austria.

You must register for social security (*Sozialversicherung der Selbständigen*). Additionally, you should register your business with the tax office and get a tax identification number.

Taxation in Austria



Figure 5: Taxation in Austria

All Austrian businesses must pay value-added tax (VAT).

Companies should be ready to pay 20% of their income as VAT.

However, partnerships and sole traders who earn less than €30,000 a year do not have to pay VAT. Instead, you will have to pay income tax in Austria, ranging from 23% to 50%.

In addition, corporate companies must pay 25% corporation tax each quarter. The minimum amount is €1,750 for GmbHs or €3,500 for AGs.

Furthermore, corporations also must pay a profit tax of 25%.



Example

Here, we want to show you a rough calculation, for example, what you would earn if you were a solo green business owner and earned 3000 euros per month.

	Ø monthly	Ø annually
Revenue Gross	3,000 EUR	36,000 EUR
VAT (20%)	600 EUR	7,200 EUR
Net revenue	2,400 EUR	28,800 EUR
- Current expenditure		
Room costs (rent, electricity, heating)	320 EUR	3,840 EUR
Marketing & Advertising	50 EUR	600 EUR
Communication costs	35 EUR	420 EUR
Car & Travel Expenses	170 EUR	2,040 EUR
Depreciation (AfA)	85 EUR	1,020 EUR
= Sum of current expenditure	660 EUR	7,920 EUR
Profit before tax (operating profit)	1,740 EUR	20,880 EUR
Social security contribution (2020)	477 EUR	5,723 EUR
Profit allowance		2,714 EUR
Basis of assessment ESt.		15,157 EUR
Income tax		437 EUR
Net profit		14,720 EUR



Employing staff when starting a business in Austria

All companies in Austria must have two types of insurance for all staff. As such, you should register all employees with the Austrian Health Insurance Fund (even sole traders must do this).



You must also register yourself and all staff for social security within one month of starting the business.

As an employer, you must follow all of Austria's labour laws. As such, this includes going after all the country's employment conventions, including:

- Annual leave – employees are entitled to 25 days of annual leave after six months of employment, in addition to public holidays.
- Sick leave – in Austria, employees are entitled to sick days.
- Maternity leave – women normally get at least 16 weeks of maternity leave, and freelance contractors can also access maternity allowances.
- Contracts – all employment must involve a mutual obligation in a written contract.
- Working hours – Austrians normally have a 40-hour work-week; overtime pay at time-and-a-half is expected after this.
- Legal termination – employment termination in Austria may be unilateral, subject to notice, or by mutual consent; however, employers must comply with the notice period stated in a contract.
- Taxation – employers are responsible for withholding income tax for their employees.
- Visas – any Austrian company wishing to employ foreign staff must first apply for the appropriate visa or residency pass.



Useful digital tool

bookamat.com

We want to give you a useful digital tool to help you with your taxes. With this application, accounting is partially prevented, but it is also made much more straightforward. All earnings or payment transactions are entered via a browser interface. The data entered is then processed and made available for various functions:

Creation of the advance return for sales tax

Data collection for the income tax return

Overview of assets and depreciation

Key figures for business planning

This is the perfect tool for entrepreneurs who like to have much order in their business management. Even though the provider doesn't require much accounting knowledge and makes posting easy, you still need a system for keeping track of receipts and moving them to the program later. The possibility of creating templates for regular business transactions also shows how important it is to have a set order and a system.



EXERCISE 1



M 7_E 1: Calculate your profit

We gave you an overview of how much taxes you must pay. For this exercise, you should calculate how much profit you have to make to earn 4000 Euro per Month.

Please use a calculator to determine how much income tax and social security you must pay!



Cyprus

A Cyprus company has several advantages for business people, especially when starting a company. Different types of Cyprus companies have special characteristics. If you want to start a green company in Cyprus, you should know a lot about its structure, features, and how it can help your business model and operations. The most common type of Cyprus Company is the limited liability company (LTD), which can be public or private.

Types of Companies

Private limited liability company with shares

This company has a share capital, and the member's liability is limited by the founding document to the amount they did not pay, if any, for the shares they hold.

The private limited liability company must have at least one shareholder. It cannot have more than fifty.

A private limited company cannot offer its shares for purchase to the public. The most common type of company is a limited liability company with shares.

Public limited liability company with shares

This company has a share capital, and the founding document states that members are liable only for the amount they haven't paid for their shares.

A public limited company can offer its shares for purchase to the public and be listed on the stock exchange. The number of members of a public company must be at least seven.

The minimum registered and issued capital of a public company must be 25,629 euros.

Limited liability company with guarantee without a share capital



This company has no share capital, and its members function as guarantors rather than shareholders. The founding document says that members are only responsible for what they have agreed to pay the company if it breaks up.

Limited liability company with guarantee and share capital

This company has a share capital, and the founding document states that members will not be held responsible for more than the share capital. Members are responsible for what they did not pay for the shares they own and what they promised to contribute to the company's assets. This company can be private or public, depending on the situation. It can offer its shares for purchase to the public if it's public.

Variable Capital Investment Company

This company is a limited liability company with shares. Its main feature is that its claims do not have a set value but a value that changes according to its founding document. These companies can be established with a licence from the Cyprus Securities and Exchange Commission.

Further Information

You can find more information on different companies you can open in Cyprus at the Department of Registrar of Companies and Intellectual Property.

companies.gov.cy/gr

A database with information on every business in Cyprus might help you learn more about other green companies.



Company Registration

The company registration process is broken down into five steps. To open the menu in the picture, look up the Department of Registrar of Companies and Intellectual Property (companies.gov.cy/gr).

Then, click on the “Business Entity” menu, then on “Starting a Business,” followed by a click on “Incorporating a Company” in the red drop-down “Guide” menu, which appears in the middle of the page.

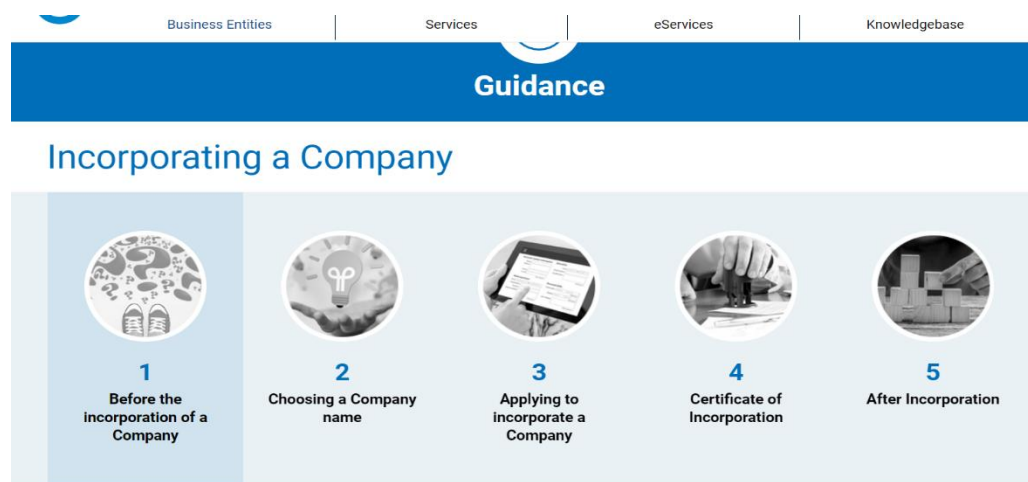


Figure 6: Registration, Screenshot

Company Registration in (the South of) Cyprus: 5-Step Process

Before you proceed with registering your company, you should be aware of the type of business you want to register. Information and paperwork about your business structure and purpose are required to apply for the registration of your business.

The address of the office where the company is registered, a list of the directors and the company's secretary are all information you need to give. You will need to provide your business's letter of association and write a statement about your purpose.

Second, you are asked to choose a name for your business as the first step of your registration. Before you apply for approval of your business's name, you should check the Registrar of Companies' organisations register to ensure that no other company with a similar name already exists.

You can choose to register your business online or by mail. You must make an account on the Ariadne government gateway portal to apply online. The sign-up process for this portal is the first step of the registration process, called "Before the company is formed." Filing for your business's registration application will cost approximately €165 to €235. You can pay a fee of one hundred € to speed up the process.

Fourth, your business will be registered if all your documents have been approved. If the company meets all the legal requirements for registration and has taken care of other issues, you will get a certificate of incorporation.

Once you have received the certificate of incorporation, you must apply to the national tax registry within sixty days. You will then receive a tax identification number. You must also write in the Register of Employers of the Social Security Services.

You will need to notify the Registrar of Companies if you make any changes to your business, such as changing the name, changing the directors and secretary, changing the share capital, changing the registered office address, putting charges on the company assets, changing the founding and articles of association, and more." ("After Recommendation," Department of Registrar of Companies and Intellectual Property, 2022).

Suppose you choose to open your green business in the North of Cyprus. In that case, you will need to register your business with the Official Receiver and Registrar, which is described in greater detail on the website of the



Turkish Cypriot Chamber of Commerce (2022). The process of registration will be like the one described above.

Taxation in Cyprus



Figure 7: Taxation in Cyprus

When setting up a company in Cyprus, all investors pay special attention to the tax rules. In Cyprus, both individuals and companies are liable to income tax. The income tax in Cyprus is paid for trade income, salaried services, pensions, interest, dividends, royalties, and other payments.

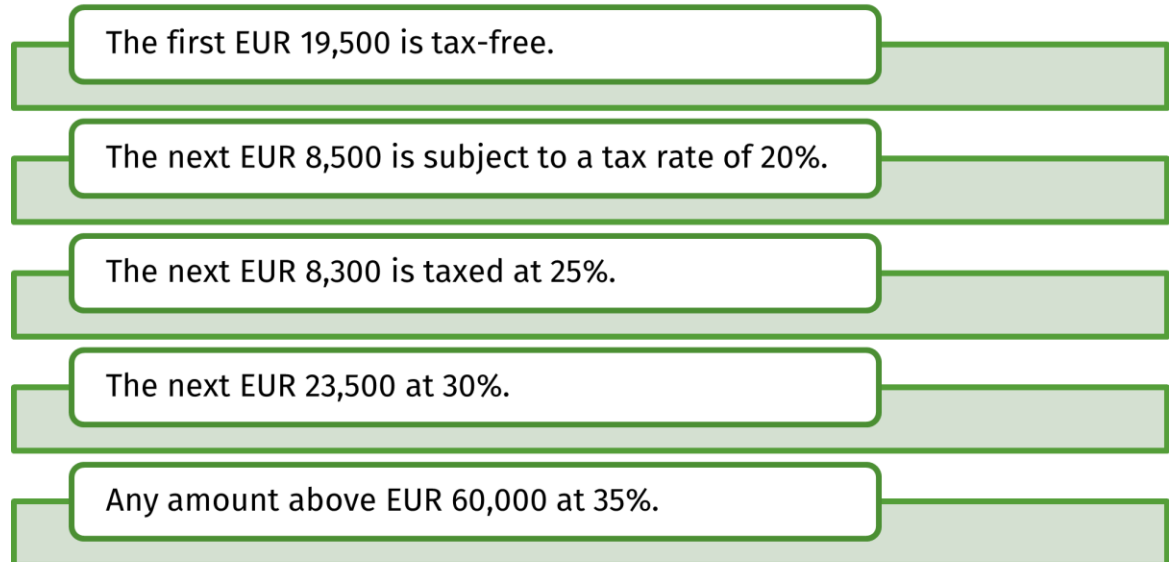
Companies must pay corporate tax in Cyprus. The corporate tax in Cyprus has one of the lowest rates in the European Union, at 12.5%.

The **12.5% corporate tax in Cyprus** applies to all types of Cypriot resident companies. The taxation applies to the income produced in Cyprus and abroad from all taxable sources. A company is considered a Cypriot resident legal entity if managed and controlled in Cyprus. Any companies not from Cyprus are taxed on the money that a Cypriot business makes in a permanent place in Cyprus.



Individual Tax Rates

Income for individuals is subject to progressive tax rates.



Several deductions and personal allowances are available.

Businesses owned by individuals are taxed at individual rates, while companies owned through transparent entities are taxed at individual rates.

Value-added tax (VAT)

Services such as education, renting real estate for a living, medical assistance, and financial and insurance services are exempt from VAT in Cyprus. Otherwise, all works and goods sold in Cyprus are subject to 19% VAT. 9% VAT applies to cafes, restaurants, hotels, and companies conducting passenger and luggage transportation. If an organisation makes or sells food, drinks, houses, haircuts, books, newspapers, magazines, tickets for cultural or sports events, or renovates or builds houses, it has to pay 5% VAT in Cyprus.

Here is a helpful link with information about taxes:

deloitte.com/content/dam/Deloitte/cy/Documents/tax/CY_Tax%20Facts%202022_EN_NoExp.pdf

Online Income Tax Calculator:

taxapp.cy/income-tax-calculator

Calculate Cyprus Corporation Tax:

cyprusaccountants.com.cy/Reduce-Taxation/Cyprus-Tax-Tips/Cyprus-Tax-Calculators/Cyprus-Corporation-Tax

Social Security

In Cyprus, the Social Security Rate is a tax related to labour income charged to both companies and employees. The Social Security Rate is an important source of income for the government of Cyprus because it helps pay for many social programs, such as welfare, health care, and other benefits.

For more information:

eures.gov.cy/mlsi/dl/eures/eures.nsf/page15_en/page15_en?OpenDocument

EXERCISE 1



M 7_E 1: Calculate your profit

We gave you an overview of the taxes you must pay. For this exercise, you should calculate how much money you would need to make per month to earn 4,000 Euros per month.

When you have completed the exercise, name your digital document after the number of this exercise and save it in the folder to Module 7!

If you did the exercise on paper, take readable photos and keep them.

Bulgaria

To start a business in Bulgaria, you must go through several steps. Firstly, you need to decide about the form of business. According to the Bulgarian Foreign Investments Agency, limited liability companies (LLCs) are one of the most popular choices for small and medium enterprises. There is also the option of creating a Bulgarian AD - the joint stock company - for large companies.

Types of companies in Bulgaria

A sole Trader (ST/ET) is a type of trader. To be a sole proprietor, he must be a natural person (not a legal entity) and have legal capacity. The sole trader is responsible for all his obligations with all his property. A sole trader's company must have the personal and family name of the person who is the sole trader. This is a mandatory element of the company.

Limited Liability Company (Ltd./ООД) is the preferred form for starting a small and medium business in Bulgaria. Each limited liability company can be formed by one or more people responsible for their share of the capital. Many people start a business in Bulgaria with a limited liability company because it is cheap to start, usually only BGN 2.

It is essential to know that the founders do not get paid for the money they put into the company. A single-member limited liability company (ЕООД) is a variation of this form of organisation. In this situation, the company's cap is one person who can register a limited liability corporation in Bulgaria under Bulgarian law. The method and procedures for forming a corporation are the same for locals and foreigners.



A joint-stock company (АД) is a corporation that can be registered in Bulgaria. This business can be formed by one or more natural or legal persons. The minimum capital required to establish a joint-stock corporation is BGN 50,000. In this instance, the company's money is divided into shares. Shareholders contribute to the total wealth by the amount their shares say they do. Each share gives the bearer one vote at the annual meeting of shareholders and the right to dividends and the liquidation of shares.

A joint-stock corporation is responsible to its creditors with the registered property. Every joint-stock company is required to have management bodies. They are a general meeting of shareholders or a board of directors in the case of a sole proprietor or a two-tiered structure.

Before a notary, the Bulgarian company foundation documents must be signed. The minimum share capital must also be put in a bank account. The notarized documents must be registered with the Commercial Register at the Registry Agency, and the entity must register for VAT.



Company Registration in Bulgaria

Here are a few steps to consider when **opening a business in Bulgaria**:

- Choose, verify and reserve the business name for your OOD in Bulgaria.
- Appoint the representative agent for your company in Bulgaria.
- Deposit the minimum share capital of 2 BGN in a local bank account.
- Prepare and submit the Articles of Association for your company in Bulgaria.
- Verify and apply for business licenses for your enterprise in Bulgaria.

Taxation in Bulgaria



Figure 8: Taxation in Bulgaria

Personal Income Tax

Tax residents pay taxes on their worldwide income. Non-residents pay tax on income from sources in Bulgaria. The tax rate is 10%. Dividend income is generally taxed at 5% and interest income at 8%. Interest/discount income



on bonds is exempt. Capital gains are included in the taxable income. In some cases, there is an exemption for profit from the sale of a dwelling. The profits from the sale of public company securities on the Bulgarian stock exchange and EU / EEA countries are tax-free.

Corporate Income Tax

Bulgarian companies pay corporate income tax on their worldwide income, foreign ones – on income from sources in Bulgaria. The corporate income tax rate is 10%. Profits from the sale of assets are included in the tax base.

CFC Rules

If a country resident holds more than 50% of the capital, voting rights or rights to profit, a foreign company is considered a controlled foreign company. Foreign companies with much economic activity and enough people, equipment, office space, and assets may be exempt from the CFC rules.

Withholding Tax

Dividends paid are taxed at the rate of 5%. Dividend payments to companies from EU / EEA countries are exempt. Royalty and interest payments are subject to withholding tax at 10%.

VAT

The standard VAT rate is 20%. Some goods and services are subject to a reduced rate of 9%.



Social Security

Employees pay social security contributions of 10.58%, and employers pay contributions of 14.12% to 14.82% (depending on the type of business) on the employee's salary. Health insurance premiums are 3.2% of the employee's salary and 4.8% of the employee's salary.

For more details:

gsl.org/en/taxes/tax-zones/bulgaria

Helpful online links for calculation.

Profit Calculator

bulgariancompanies.com/bulgaria-profits-calculator

Net Salary Calculator

kik-bg.com/en/payroll-calculators/payroll-calculator-gross-to-net

EXERCISE 1



M 7_E 1: Calculate your profit

We gave you an overview of how much taxes you must pay. For this exercise, you should calculate how much profit you have to make to earn 4,000 BRN per Month.

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If you did the exercise on paper, take readable photos and keep them.



Germany

The various legal structures of companies in Germany can present a real challenge, not only for prospective founders. Here you find an overview.

Types of Businesses

There are many types of businesses in Germany. We recommend that you inform yourself of the local authorities.

Sole proprietorship

A company can sometimes be more than one person. In Germany, you can also create a company as one person.

If you want to work as a sole proprietorship, you must be registered in the commercial register. This is irrelevant to freelancers or small tradespeople, however.

In this case, registration is optional. When you register, you give the name, the company headquarters, the owner, and the legal structure. When you finish registering, you will be considered a sole proprietor who is in charge of their private assets. If anything goes wrong, you will be responsible.



The advantage: Unlike other legal structures, you don't need a minimum capital to be a sole proprietor. It is important, however, that you – as the name indicates – are the only head of the company.



There are various legal structures for partnerships, depending on the type of company:

A company constituted under German law

(Gesellschaft bürgerlichen Rechts, or GbR) lends itself to a company founded with one or more partners.

This company doesn't have to be listed in the commercial register. The same is that the founders can produce a minimum investment.

("Legal structures for companies in Germany: an overview")

The requirements for founding a GbR are relatively low.

A contract concluded among the business partners is, however, strongly recommended as the people involved can be made liable not only with their business assets but also with their private assets.

A general partnership (offene Handelsgesellschaft, or OHG) is a legal structure for which there is also no minimum capital necessary."

("Legal structures for companies in Germany: an overview")

However, you can establish a general partnership only as a merchant. In addition, a general partnership must be listed in the commercial register.

Here you find different types of partnerships:

A limited partnership (Kommanditgesellschaft, or KG) lends itself when you are founding alone or with multiple partners and plan to have additional partners join you later. There are different roles and liabilities here.

One advantage of a limited partnership is the possibility of founding directly with more starting capital. (“Legal structures for companies in Germany: an overview”)

A combination of the limited liability company (see below) and the limited partnership is the GmbH & Co. KG. Several capital investors can be taken into the company as shareholders.

A partner company (Partnergeseellschaft, or PartG) makes it possible to found the company together and is especially good for doctors and lawyers.

Capital companies

Capital companies are also called shareholding companies. In Germany, there are various forms of capital companies

The limited liability company (Gesellschaft mit beschränkter Haftung, or GmbH) is the most popular legal structure. The biggest advantage of a limited liability company is that the entrepreneurs only have to worry about the company's assets, not their own. That is why a minimum capital of 25,000 EUR is necessary to establish a limited liability company.

A company with limited liability and insufficient share capital

(Unternehmergeellschaft, or UG) is also informally called a 1 EUR company because there is no minimum capital of 25,000 EUR necessary, merely of 1 EUR. However, when founding the company, the founder must use 25% of his annual surpluses to build the starting capital. In a UG, as with a GmbH, the liability is the company's assets.

A registered cooperative (eingetragene Genossenschaft, or eG) is possible with the organisation of three or more founders. Here are a few things that need to be done, like writing articles for the company and putting them in a cooperative register.

The joint-stock company (Aktiengesellschaft, or AG) entails the development of the articles of association and requires 50,000 EUR needed capital for its business.



So as the founder, in addition to the objectives behind the company, the questions of minimum capital, founding members or shareholders, and the liability are crucial for being able to decide on a legal structure.

How to Register your Business in Germany

To officially register your company in Germany, you have to go to the „Gewerbeamt“ (that’s the german trade office) and get a „Gewerbeschein“ (that’s the trade licence).

In other words, this trade licence is the approval to run your business.

By law, you have to register a trade:

as soon as a commercial activity is started

if an already existing business is taken over

when a business is relocated

when a new branch office is established

and: as soon as the business orientation changes fundamentally

So, as a bit of note for you: You can register your business at your local „Gewerbeamt“ (the german trade office) or your local „Ordnungsamt“ (that’s the public order office). In charge of your business is the office of



the place where your company will be placed. A simple internet search will point you to the correct office within seconds.

You will receive further information by mail once you have successfully registered your company. Your business registration will also be automatically sent to the responsible „Finanzamt“ (the german tax office), the „Berufsgenossenschaft“ (that’s the employers’ liability insurance association) and the „IHK“ (that’s the Chamber of Industry and Commerce). (“How to Register a Business in Germany - establi.de”)

If you’re a „Freiberufler“ (a freelancer), you don’t have to go to the „Gewerbeamt“ (the trade office) because, in this case, a trade licence is not necessary.

For Freiberufler, the only place you have to attend is the „Finanzamt“ (the german tax office), and that’s it.

Taxation in Germany



Figure 9: Taxation in Germany

Types of business tax in Germany

If you are self-employed in Germany, you will pay some or all of the following kinds of tax, depending on the type of business you run and your annual turnover:

Trade tax
(*Gewerbesteuer*)

Corporation tax
(*Körperschaftsteuer*)

Income tax
(*Einkommensteuer*)

VAT (*Umsatzsteuer*)

Payroll tax (*Lohnsteuer* -
if you have employees)

Church tax
(*Kirchensteuer*)



Trade tax (*Gewerbesteuer*)

All commercial businesses in Germany (except for freelance professions and non-profit-making organisations) are liable to pay trade tax (*Gewerbesteuer*). Companies have to pay trade tax as soon as they start business operations (for one-person companies and partnerships) or when they are put on the commercial register (for corporations)

Trade tax is a local tax levied annually and payable to local authorities. Businesses must complete an annual trade tax return (*Gewerbesteuererklärung*), either on paper or via ELSTER.

Trade tax is calculated by taking the amount of money made in trade and adding any tax-free allowances. These are currently 24,500 euros for one-person businesses and partnerships and 3,900 euros for all other businesses.

The base rate for trade tax is 3.5%, multiplied by a municipal tax rate (*Hebesatz*) anywhere between 200% and 580%, resulting in a total trade tax rate of between 7% and 20.3%, depending on location.

As a general rule, trade tax is higher in urban areas.

Corporation tax (*Körperschaftsteuer*)

Corporation tax (*Körperschaftsteuer*) in Germany is fixed at 15%.

Corporations with their management or registered office in Germany are liable to pay corporation tax. This includes AGs and GmbHs. Freelancers, one-person businesses and partnerships do not have to pay corporation tax.

Corporation tax is also subject to a 5.5% solidarity surcharge (*Solidaritätszuschlag*), meaning the total tax rate is 15,825% of taxable income (i.e. annual profit).



Income tax (*Einkommensteuer*)

Instead of paying corporation tax, freelancers, one-person businesses and partnerships in Germany are taxed on their profits via income tax (*Einkommensteuer*). When you register with the tax office, you will be sent a schedule of tax pre-payments based on your turnover predictions.

At the end of the year, you can figure out your actual tax bill by filling out a yearly income tax return, just like you would if you were an employee in Germany. If your initial predictions were wrong, you might have to pay more tax or get a refund.

VAT (*Umsatzsteuer - USt*)

Some businesses will have to charge value-added tax (VAT) on some products and services. In Germany, VAT is officially known as *Umsatzsteuer* (USt), although many people continue to refer to it by its previous name, *Mehrwertsteuer* or MwSt.

Freelancers and small businesses (*Kleinunternehmer*) who make less than 22,000 euros in their first year of operation and 50,000 euros per year after that can choose whether to charge USt. Charging means you can deduct any USt you paid out on business-related expenses, but it also means more paperwork. Remember that once you choose to join or not join USt, you can't change your mind for five years.

If you choose to charge USt, you need to add another 19% USt (7% for certain consumer goods and everyday services, including food, newspapers, public transport and hotels) on top of your regular fee. You need to save this extra money because you have to send it to the tax office every month, quarter, or year, depending on how much money you make



each year. At the same time, you can deduct the USt you have spent on business-related expenses (such as equipment or travel expenses) from the amount of USt you owe to the tax office.

Payroll tax

You must deduct payroll tax from their monthly salaries if you employ anyone. This includes taxes and contributions to the social security system, pension, and health insurance plans.

Church tax (Kirchensteuer)

If your business is affiliated with religious organisation you may also be liable to pay a church tax (*Kirchensteuer*) of between 8% and 9%.

Valuable links to calculate your taxes.

Corporation tax:

[how-to-germany.com/corporation-tax-calculator](https://www.how-to-germany.com/corporation-tax-calculator)

Income tax calculator for the self-employed:

[kontist.com/en/taxator](https://www.kontist.com/en/taxator)

Company Taxation in Germany:

[firma.de/en/accountancy/company-taxation-in-germany-a-breakdown-of-taxes-by-legal-form](https://www.firma.de/en/accountancy/company-taxation-in-germany-a-breakdown-of-taxes-by-legal-form)

Social Security Rate for Companies

In Germany, the Social Security Rate is a tax related to labour income charged to both companies and employees. The Social Security Rate for Companies is an important source of income for the government of Germany.

Social Insurance Contributions:

Social Insurance Components (in % of gross wage)	Employer/Employee Share (in % of gross salary)
18.6% pension insurance	9.3% employer 9.3% employee
14.6% of health insurance	7.3% employer 7.3% employee
2.4% unemployment insurance	1.2% employer 1.2% employee
3.05% nursing care insurance	1.525% employer 1.525% employee
1.14% accident insurance	1.14% employer ⁴

EXERCISE 1



M 7_E 1: Calculate your profit

We gave you an overview of how much taxes you must pay. For this exercise, you should calculate how much profit you have to make to earn 4,000 Euro per Month.

When you have completed the exercise, name your digital document after the number of this exercise and save it in the folder to Module 7!

If you did the exercise on paper, take readable photos and keep them.

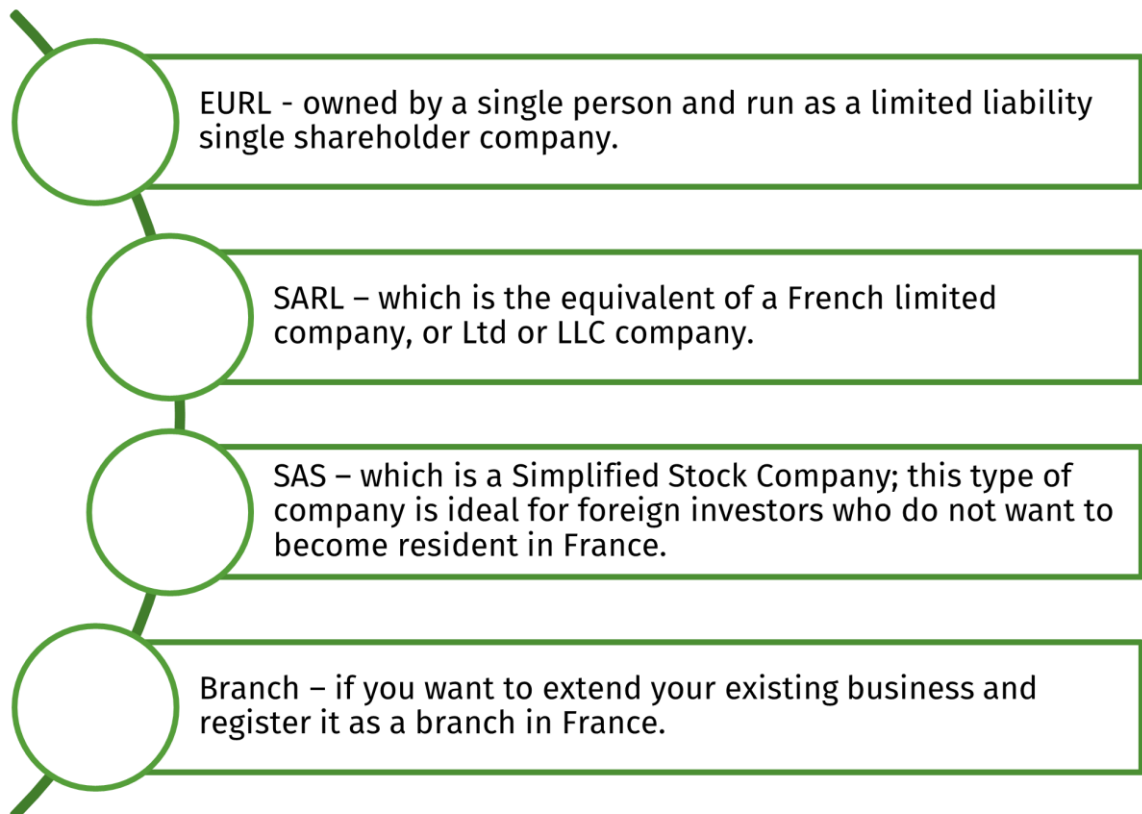
France

Anyone can set up a business in France. To become a French business owner, you do NOT need to be a resident or an EU citizen. It can help, but you can still open a company in France by simply registering a business address there. That could mean opening a virtual office or finding actual premises for your business. You don't have to change your citizenship or buy a house.

Types of Businesses

You will need to choose the type of company structure for your green business. It's important to do your homework, as you'll need to find a structure that fits with your business type and the amount of turnover.

The most common structures in France are:



What are the requirements for an SA company?

The minimum share capital is €37,000, of which at least half must be paid up.

The company must have at least seven shareholders.

Shareholders are liable up to the limit of their capital contribution.

Accounts must be audited in line with statutory requirements.

With regard to tax and social security, senior management are considered as employees.

What are the requirements for a SARL company?

The minimum share capital was recently reduced to €1 but banks require more than this figure to set up an account. The traditional share capital was 7,500 euros but a minimum amount could be deposited of around 4,000 euros ex-VAT.

Please bear in mind that this is "working capital" and can be taken out of the account for use at any time.

The minimum number of directors is one. If the company only has one director, the burden of these payments is incurred from the first day the company is formed.

Bank accounts can be opened remotely most of the time.



What is a SAS company?

The Société Par Actions Simplifiée (Simplified Stock Company) is a vehicle for creating a joint venture between a French company and a foreign partner. The rigidity of French corporate law made it hard for French companies to enter into joint-venture relationships with foreign companies. SAS companies are becoming more popular with foreign investors who want to set up subsidiaries in France.

What are the requirements for a SAS company?

The minimum share capital was recently reduced to €1 but banks require more than this figure to set up an account. The traditional share capital was 35,000 euros but a minimum amount could be deposited of around 15,000 euros.

Please bear in mind that this is "working capital" and can be taken out of the account for use at any time.

A president and one shareholder is required. They can be the same person in which case the company will be incorporated as a SASU.

The president can be a legal entity.

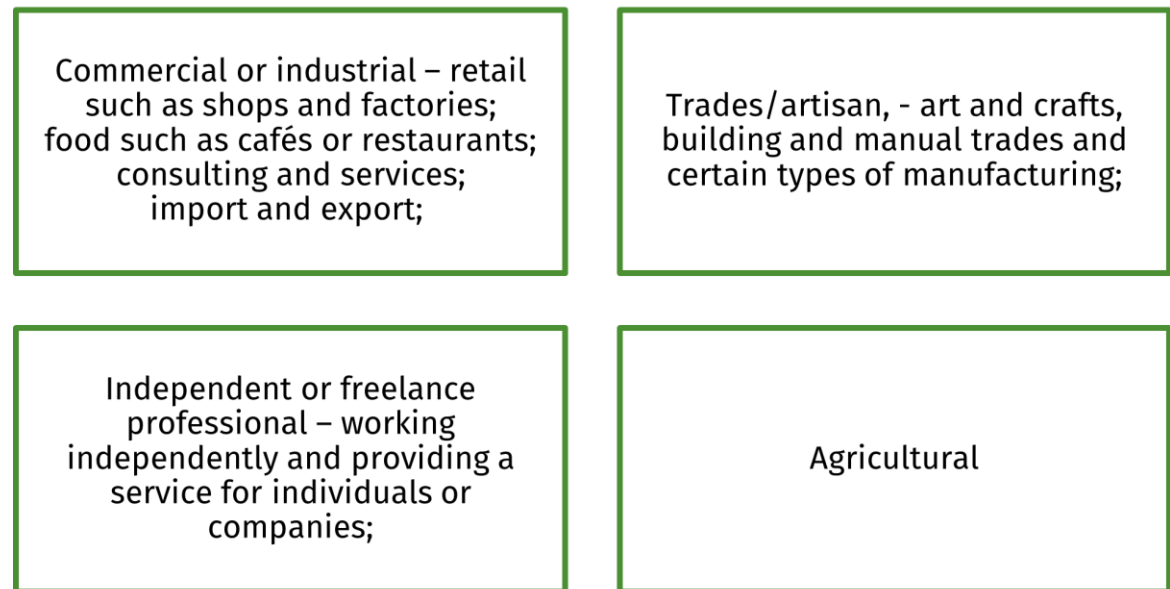
An auditor is required if the annual turnover exceeds 8,000,000 euros and/or if you have more than 50 employees.

If you want some great in-depth information about what exactly each of these types of structures is, please consult our article:

[What's the difference between a SARL, SAS, SA, EURL, Micro-Enterprise & Auto-Entrepreneur?](#)

You must register your by-laws with an affordable registered company formation agent or a lawyer. It is important to be specific about your business – what products you will sell or what services you will provide.

In France, businesses are split into different categories:



These categories have their own registration centres based in the area you wish to set up:

- the Centre de Formalités des Entreprises (CFE)
- the Chambre des Métiers et de l'Artisanat (CMA)
- the Chambre d'Agriculture (CA)

It's important to have a clear idea of what your business is and a vision for what it hopes to become in the future because every time you branch out into something new with your business, you'll have to inform the CFE, CMA or CA.

To get the right insurance, you need to be registered with a French professional organisation, which means you have specific qualifications before you can work.

Set up a French Business Bank Account

Next, you'll need a business bank account. Now that travel restrictions have been put in place because of the global pandemic; it is possible to open bank accounts from home. You will need to be ready to answer questions about your company after you meet with the bank manager to discuss your business plan.

French bank account managers are very picky about whom they let open an account because of strict laws against money laundering. A business plan is beneficial because it lets an account manager see all the facts in numbers.

Deposit Capital in Your French Bank Account

For a EURL, SARL or SAS, the minimum share capital has been reduced to €1, but banks require more than this figure to set up an account.

The traditional share capital was 7,500 euros, but a minimum amount of around 4,000 euros could be deposited. Please remember that this is "working capital" and can be taken from the account for use at any time.

Your share capital will be unblocked as soon as the banker receives the Kbis – the certificate of your new company - which usually takes about two weeks. If you do not complete the company formation, your capital will be returned to you immediately.

Legal Publicity of Your New French Business

Next comes a quaint French rule of announcing the opening of your company in the press. You must publish an announcement in an authorised newspaper such as Le Parisien or Les Echos or a business publication to formally and publicly introduce your company into the business world.



Incorporation of Your French Business

There are various documents and evidence you'll need to get together to incorporate your French company. To apply, you need to fill out a form for each director/shareholder and send in a copy of each director/shareholder's passport and two utility bills less than three months old to prove addresses. Cell phone bills are not acceptable.

These documents will then need to be sent to various administrations, including the National Institute of Statistics and Economic Studies (INSEE), which will register your company with the national business directory. Your documents will also need to go to the tax office - the Centre des Impôts - and the commercial court called the Greffe du Tribunal de Commerce.

To ensure you're paying the right pension and labour payments, the social security office (URSSAF) will need to be informed as well as the Caisses Sociales and Inspection du Travail, if you are employing or recruiting staff and the Centre des Formalités des Entreprises or Chambres des Métiers.

Once your documents have gone to all the proper government departments, your application will receive all the official stamps that formalise your French company incorporation.

A French company formation agent can quickly help you through all these steps without you having to talk to government officials in a foreign language or go back and forth to different departments. Then, with the freed time, you can take advantage of any small business opportunities in France to put your stamp on the market.

VAT registration takes up to two weeks, and it takes up to two weeks to incorporate if all the paperwork is in order.

Registering A Business in France

When you get the "Extrait Kbis," you will get a 14-digit number made up of a SIRET and SIREN number. This is your company ID number that you need to put on all official documents, invoices, and websites. These are the most important numbers you need when registering a business in France.

The SIRET is your 9-digit SIREN number plus a 5-digit code specific to your company. You will also have an APE (Activite Principale de l'Entreprise) or NAF code, which identifies the main activity of your business.

Once the Kbis arrives, your bank manager can activate your business bank account, and your share capital will be unblocked. You will also receive a welcome letter from the tax office with a VAT number and tax officer contact details. Your VAT number starts with the letters FR plus a 2-digit code followed by your SIREN.

If you wish to import and export goods internationally, you must apply for an EORI number with the French Customs Authorities.



Taxation in France



Figure 10: Taxation in France

French tax law and accountancy can be incredibly complicated when you're from a foreign country. The best way to avoid trouble with the French tax man is to hire a professional French accountant called an "expert compatible". They will be responsible for the good standing of your accounts and will be obliged to keep you up to date with tax laws. He can also help you with VAT returns and payrolls. There are several taxes in France that a company must pay. These are:

- the income tax on profits, also known as the corporate tax;
- the business tax;
- the social surcharge;
- the social contributions related to employment;
- the value added tax;
- withholding taxes.



The standard value of the **corporate income tax in France** is 33.33%. Branches in France benefit from a 30% rate (applicable for branches of non-EU entities), and they can benefit from further reductions or even a complete elimination of this tax under specific treaties.

Other **taxes in France** applicable to companies are:

the capital duty

the payroll tax

the real property tax

social security contributions
and others

Helpful links to calculate your taxes.

Income Tax Calculator:

service-public.fr/particuliers/vosdroits/R2740?lang=en

Employee Income:

mycompanyinfrance.urssaf.fr/calculators/salary

Vat Calculator:

vat-calculator.net/france.html



EXERCISE 1



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List of Figures

Figure 1: How to open a business	0
Figure 2: Points of Single Contact, Screenshot.....	3
Figure 3: EAMS Registration, Screenshot	7
Figure 4: EU Ecolabel - eu-ecolabel.de	8
Figure 5: Taxation in Austria.....	15
Figure 6: Registration, Screenshot.....	22
Figure 7: Taxation in Cyprus	24
Figure 8: Taxation in Bulgaria	30
Figure 9: Taxation in Germany.....	40
Figure 10: Taxation in France	53

