Starting up in Germany: Trends in German Business Incorporations

Beauhurst

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Foreword

Beauhurst began in 2010 as a comprehensive database of UK investors, quickly evolving into a platform for discovering the country's high-growth ecosystem. Over time, we realised the potential of capturing every significant milestone for all UK private companies, from fundraising rounds and new office locations to patent filings and news. With a broad range of signals, we now track companies at every stage of growth across all sectors, offering a comprehensive view of the UK business landscape.

With this foundation, we're ready to tackle our next major challenge: international expansion.

Many of our clients already seek accurate data on private companies outside the UK in order to monitor competitors, benchmark deals, and gain a full understanding of international markets.

Our first step in this direction is Germany, Europe's largest economy and a hub for innovation and technology. As in the UK, we've started with national registry data meaning we have data on every company in Germany. From this base, just like our UK offering, we're building out our detailed company datasets — from websites and classification to trusted news and beyond.

The report you're reading marks our initial step into German and international content that leverages this new data. This is just the beginning as we continue expanding our coverage across Germany and beyond. Watch this space — there's more to come.

Chynna Brenham,
Data Strategy Manager

Methodology

All the data for this report was gathered using Beauhurst data, taken directly from the Beauhurst platform. The data for this report was finalised on 8 October 2024.

The data compromises of all companies incorporated in Germany and the UK in 2023.

Director data is exclusively active directors.

“Inactive” companies are only those which have ceased trading and been dissolved.

“Active” companies include all other company statuses, including those in administration or dormant.

Each company has been categorised into at most one WZ or SIC code (from their filings).

Incorporations analysis

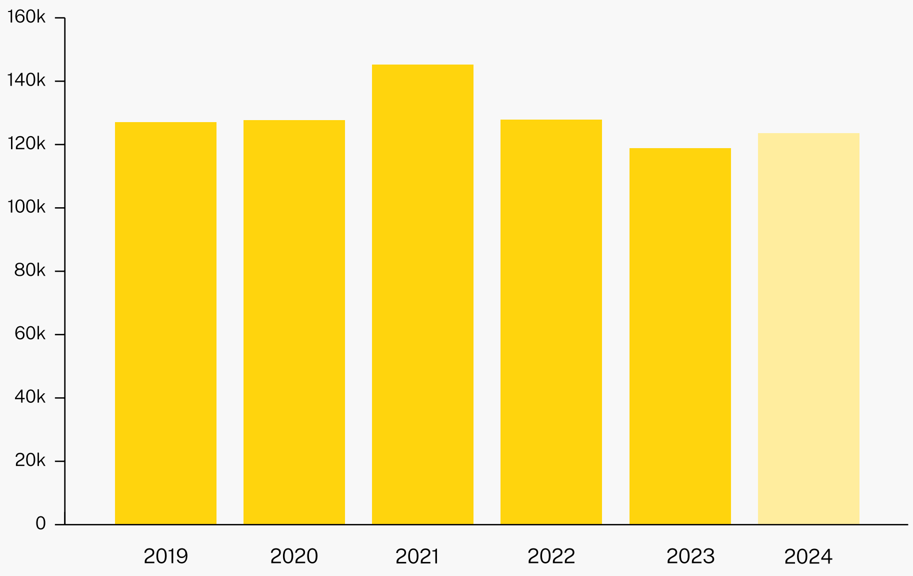
In 2023, **118,750** companies were incorporated in Germany — a 7% decrease from 2022.

Incorporations in Germany peaked in 2021 and declined in 2022 and 2023.

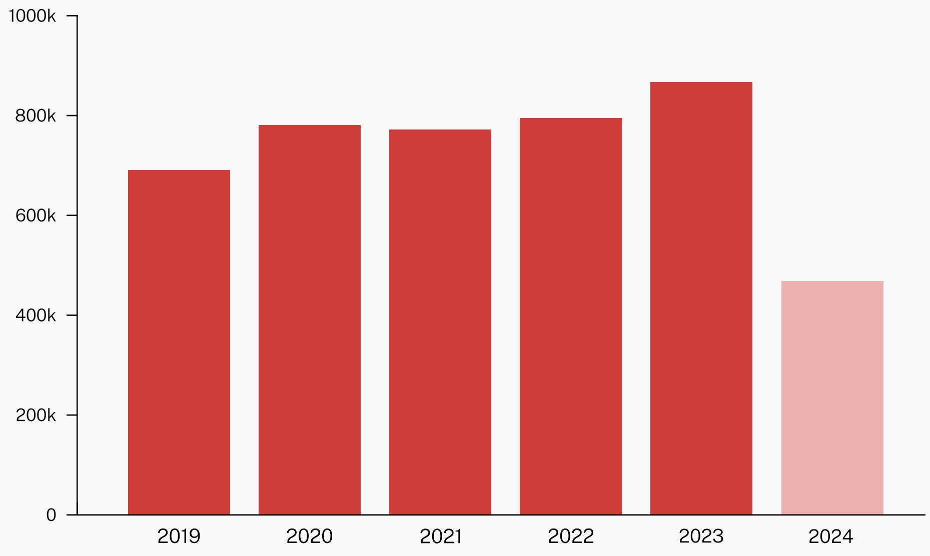
In 2023, **879,172** companies were incorporated in the UK — an 11% increase from 2022.

By contrast, company incorporations in the UK have been steadily growing each year since 2020 where there were 780k new companies incorporated. However, the UK is on track to have fewer incorporations in 2024 than previous years from 690k incorporations in 2019 to 829k incorporations 2023.

German incorporations by year



UK incorporations by year



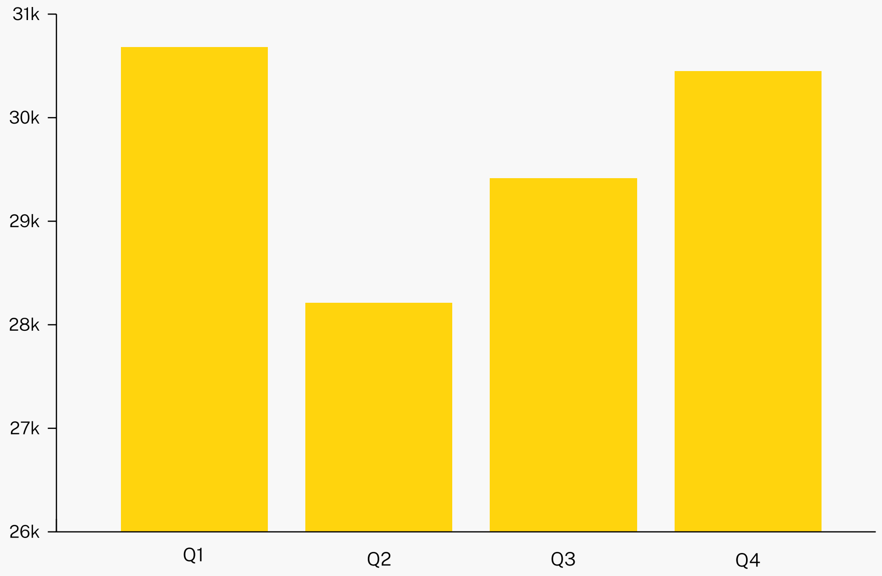
The good news? Germany is on track to have one of its highest incorporation rates in 2024. To learn more, jump to page 12.

Incorporations analysis

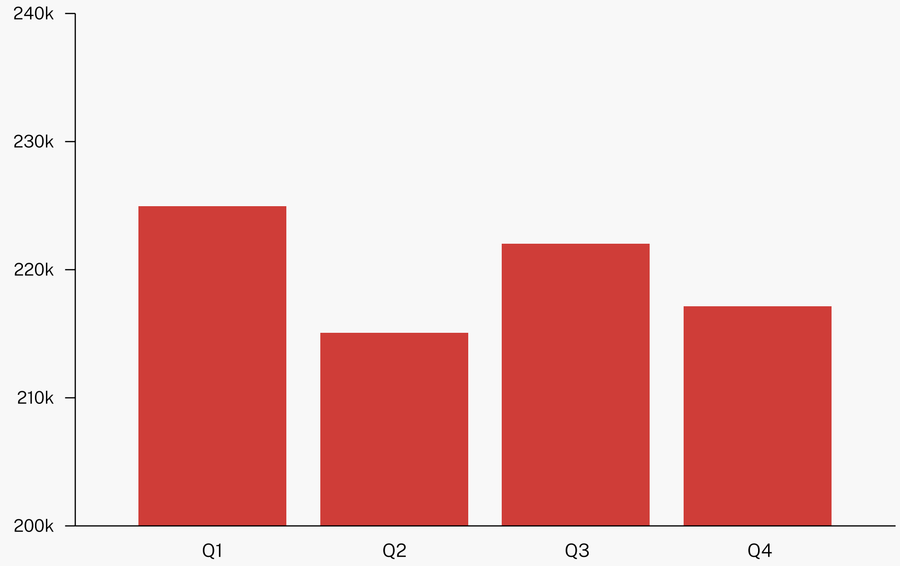
In Germany, Q1 2023 had the highest number of incorporated companies (30.7k) and Q2 had the lowest (28.2k).

In the UK, Q1 2023 also had the highest number of incorporated companies (224k) and Q2 the lowest (215k).

German incorporations by quarter



UK incorporations by quarter



However, the inter-quarter difference for both countries isn't huge — there were only 9.90k more company incorporations in the UK in the highest quarter compared with the lowest. And in Germany, there was only a 2.47k difference between the highest quarter and the lowest quarter. So, while we do often see a lot of incorporations in Q1, they tend to be relatively evenly distributed across the year for both Germany and the UK.

30.7k

companies incorporated in Germany in Q1 2023

Regional breakdown

To create our regional breakdown, we've used courts for Germany. There are currently 115 Regional Courts and 24 Higher Regional Courts where companies can be registered in Germany. Each of these courts oversees a particular area.

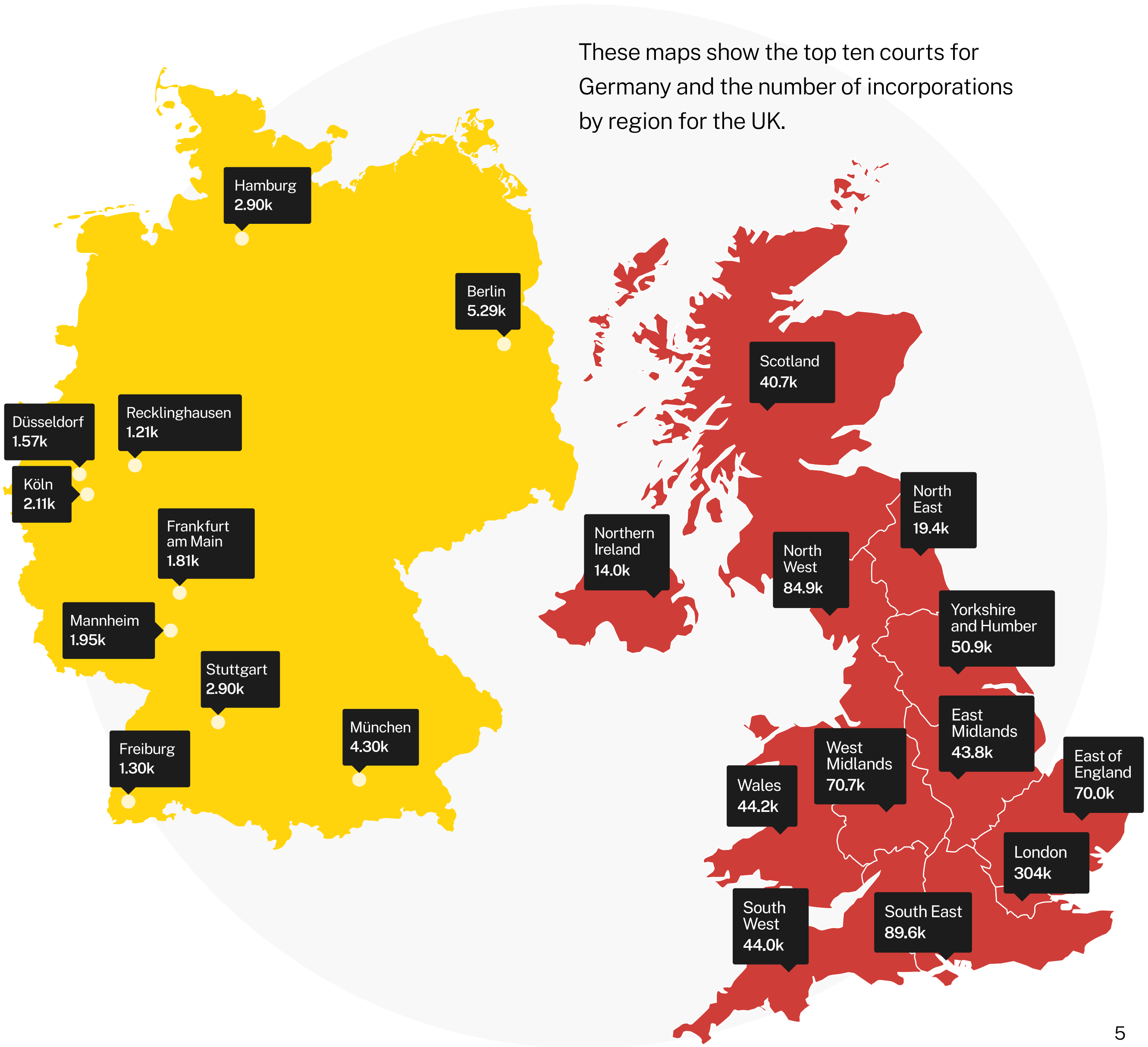
Berlin had the highest number of incorporations, with 5.29k companies incorporated in 2023. München came in second place with 4.30k companies incorporated, and Hamburg came in third with 2.90k.

In the UK, as we usually see in our data, London was the top region with a huge 304k companies incorporated in the UK's capital. This was followed by the South East (89.6k) and the North West (84.9k).

If we split the UK into countries, Wales had 44.2k companies incorporated and came second behind England with 777k. Scotland had 40.7k companies incorporated in 2023 and Northern Ireland was in fourth place with 14.0k.

It's not unusual for us to see company formations taking place in the larger cities and our German and UK data reflects that.

These maps show the top ten courts for Germany and the number of incorporations by region for the UK.



Industry analysis

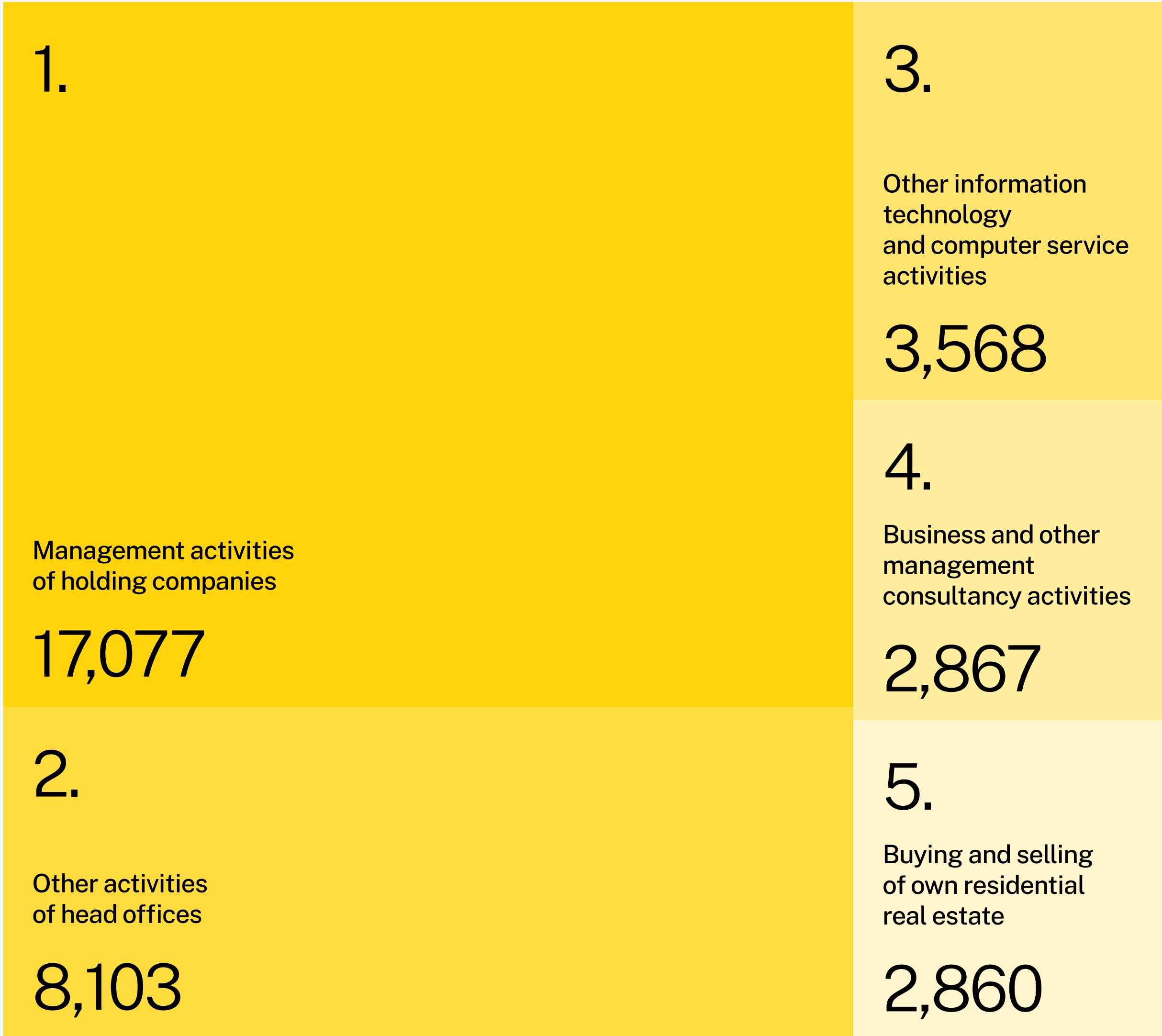
An analysis of German company incorporations by WZ codes reveals that **management activities of holding companies** lead by a significant margin, with more than twice the number of incorporations compared to the second most common category.

According to Britannica, Germany's key industries are machine building, automobiles, electrical engineering and electronics, chemicals, and food processing. It's interesting here to see some WZ codes that don't necessarily fall into those categories. However, as we expand our industry classification over German companies, we will be able to identify what these companies actually do.

What are WZ codes?
WZ codes, introduced in 2008, are Germany's system for classifying industries and economic activities. Like the UK's SIC codes, they group businesses into sectors based on their primary activities.

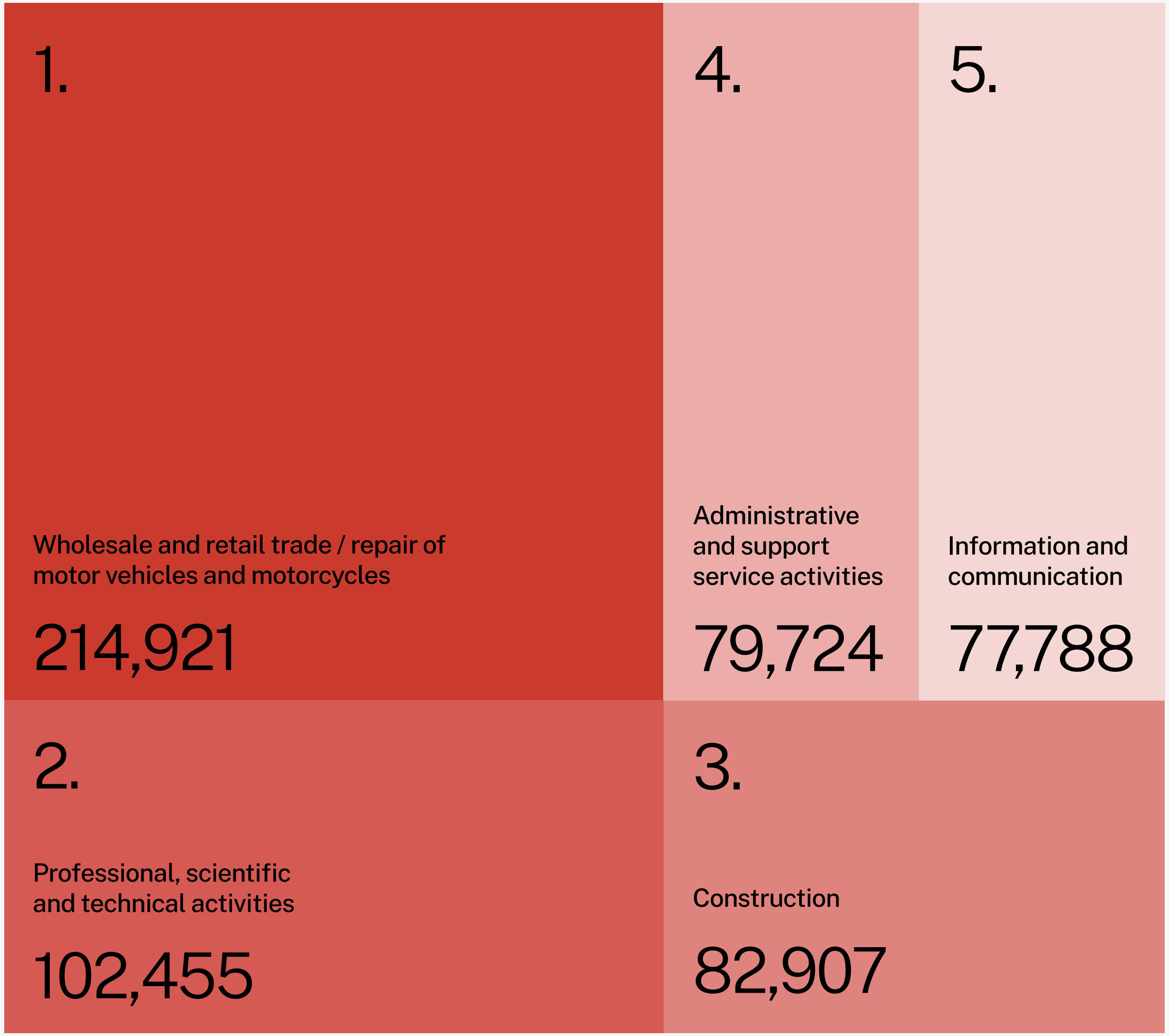
Although WZ codes are specific to Germany, they are aligned with the broader NACE (Nomenclature of Economic Activities) classification used across the European Union. While WZ and SIC codes are quite similar, WZ codes offer an additional level of detail, providing greater granularity in classification.

Top five WZ codes in 2023



Industry analysis

Top five SIC codes in 2023



In the UK, we analysed company incorporations by SIC codes. There were 215k companies incorporated in the **wholesale and retail trade / repair of motor vehicles and motorcycles** industry in 2023. This was over double the amount of any other SIC code. **Professional, scientific and technical activities** came in second with 102k companies — and **construction** came third with 82.9k incorporations.

Get enhanced industry classification

WZ codes and SIC codes allow us to have an overview of what these companies do, but we know these types of categories aren't always reliable or precise enough. WZ codes and SIC codes were last updated in 2008 and don't thoroughly cover modern industries — and as you can see from the rankings we have included they aren't descriptive enough to narrow down a company into one particular field.

At Beauhurst, we know how important it is to go further than that. That's why we have our new industries classification. Our industries include over 280 types of business — and as we roll out our German data, we'll have industry classification on all our German companies (as we do with UK companies).

Company spotlights

Here, we look at the top three German companies founded in 2023 that have attracted the most equity funding.

Proxima Fusion

Location: Munich
Number of fundraisings: Three
Total amount raised: £23.2m

Proxima Fusion designs stellarator fusion reactors with the aim of acting as a fusion power plant concept. The energy company that was incorporated just last year and has already gone through three funding rounds, raising a total of £23.2m.

It also hit our Environmental Signal for clean & renewable energy.

smalt

Location: Berlin
Number of fundraisings: Two
Total amount raised: £10.3m

smalt is a Germany-wide installer of photovoltaic systems, aka solar panels, for private and commercial properties. This Berlin-based company has secured two funding rounds since its incorporation, raising a total of £10.3m.

Like Proxima Fusion, it hit our Environmental Signal for clean & renewable energy.

deeploi

Location: Berlin
Number of fundraisings: Two
Total amount raised: £7.74m

deeploi develops IT management software, including onboarding, cybersecurity, and IT support. Another Berlin-based company, deeploi has raised £7.74m over two rounds.

Why are there more incorporations in the UK compared to Germany?

Germany has 84 million residents — that's 1.25 times more than the UK. So, why were there 7.4 times more company incorporations in the UK in 2023?

According to DW, people are becoming less interested in opening a business in Germany. In 2022, the number of consultations for aspiring founders at the regional Chambers of Industry and Commerce declined by a total of 154,785 applicants, according to a report released by the German Chamber of Industry and Commerce. This marks the lowest level since tracking began in 2002.

The long-term trend for new business inquiries is also declining. The report stated that over the past 13 years — except for brief upticks in 2016 and 2019 — fewer people have sought guidance on starting a business each year. But why is this happening?

Cost

First and foremost, it costs more to incorporate a company in Germany.

In Germany, establishing the equivalent GmbH (similar to a UK Ltd company) requires a minimum capital of €25k, whereas in the UK, the paid-up share capital required for a limited company is as low as £1.

To help founders overcome this initial hurdle, Germany introduced the Entrepreneurial Company (better known as a 'UG' in Germany) to give business owners the opportunity to form a company without needing the €25k down payment.

So why would you choose a GmbH with higher capital? While the UG allows you to start with very little upfront capital, the GmbH's higher capital requirement offers a number of advantages.

One is credibility. GmbHs are often perceived as more established and trustworthy by clients, partners, and banks. The higher share capital provides a buffer for creditors in case of insolvency, which can make the company more attractive for business relationships.

Another is profit retention and growth capital. With a GmbH, once it's established, you're free to distribute profits to shareholders after taxes, provided legal requirements are met. Whereas, the UG is required by law to retain 25% of its annual profits until the share capital reaches the minimum €25k. Once this threshold is reached, the UG can convert into a GmbH.

> In Germany, establishing the equivalent GmbH (similar to a UK Ltd company) requires a minimum capital of €25k."

Why are there more incorporations in the UK compared to Germany?

How companies are used in Germany versus the UK

There are differences in how businesses are used in the UK versus in Germany.

Shell companies
In the UK, there's been a noticeable increase in the creation of shell companies, often used for tax reasons or to hide assets. In fact, as of November 2023, Moody's Shell Company Indicator "Found that the UK leads the world for shell company-related risks with almost five million flags." Although recent reforms have tried to tackle this issue, the ease of setting up and shutting down companies in the UK has historically led to an inflated number of incorporations.

In comparison, Germany's stricter rules, like higher costs and required share capital for incorporation, make it harder to create shell companies.

Property management companies
In the UK, it's common for property owners, especially in shared ownership situations like blocks of flats, to form private limited companies (Ltd) to manage common areas and shared responsibilities. The structure of an Ltd provides legal protection and financial accountability for those involved. According to our data, there are 693k active companies with the SIC code relating to property management.

Whereas Germans typically hire professional property management firms (Hausverwaltung) instead of creating their own new companies. This is thanks to a strong legal framework that supports joint property ownership through Homeowners' Associations (Wohnungseigentümergemeinschaft), reducing the need for separate legal entities.

Side ventures and freelance work
When it comes to small side ventures in Germany, many freelancers operate as sole proprietors (Einzelunternehmer) to avoid the complexities and costs of forming a limited liability company (GmbH). The stricter rules around incorporation in Germany, including higher capital requirements and tax compliance, discourage many from formalising smaller ventures.

The UK's vibrant entrepreneurial culture sees lots of people set up limited companies for online businesses and freelance work, as they benefit from favourable tax rates and limited liability.

As a result, UK residents often use company structures for tax efficiency and protection, while Germans typically opt for simpler business models until their ventures grow.

Time

There are other elements to consider when forming a company in Germany — time, for instance. Entrepreneurs often aim to start operations as quickly as possible.

In the UK, it's possible to purchase an 'off-the-shelf' company and change the name the same day, allowing the business to be ready for trade within hours.

By contrast, in Germany, companies must be formed from scratch and registered with the commercial register of the respective state ("Land") before they can begin trading — a process that can take weeks rather than days.

Why are there more incorporations in the UK compared to Germany?

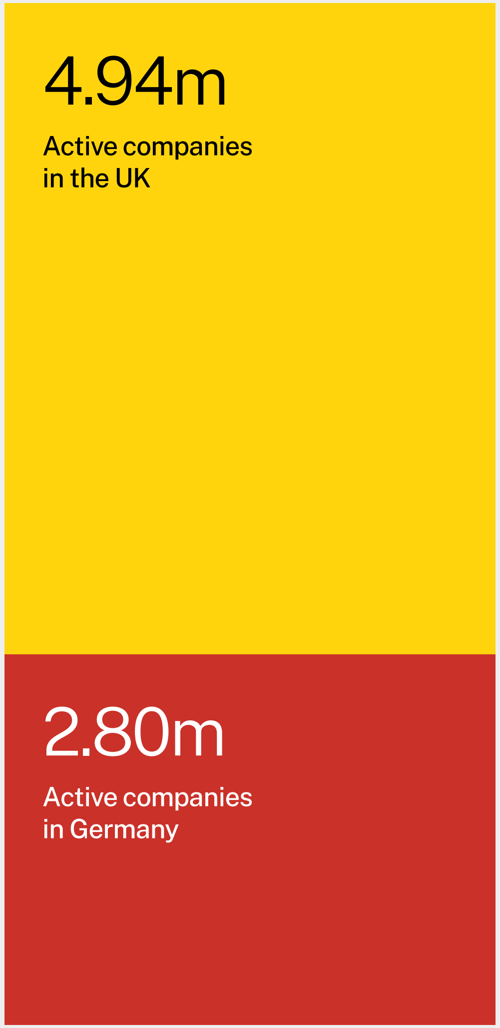
Although there are challenges to incorporating a company in Germany, once a business is successfully incorporated, the country offers a host of benefits that can unlock new, exciting opportunities for growth and success.

Germany boasts a robust and stable economy, often considered the economic engine of Europe. This stability creates a secure environment for businesses, with access to one of the largest consumer markets in the world.

When it comes to incorporating a business in Germany, one of the key factors in being successful is having access to the right data.

With our new German private company data, there's never been a better time to uncover opportunities in Europe's largest economy.

"Germany boasts a robust and stable economy, often considered the economic engine of Europe. This stability creates a secure environment for businesses, with access to one of the largest consumer markets in the world."



Why Germany is your next big opportunity

We've already seen 123,564 incorporations in Germany in 2024 so far. Not only has this surpassed the number of incorporations made in the entirety of 2023, it could also mean Germany is on track for record high growth.

Germany has a long and historic legacy of a strong economy, and while we've seen a decline in incorporations in 2023, there's a promise of a stronger-than-ever year in 2024.

For businesses, investors, and data-driven professionals, this means that now is the perfect time to engage with German private market data.

As the country gears up for renewed growth, understanding the trends, market demands, and emerging sectors will be invaluable. Whether you're looking to enter new markets, expand existing operations, or make informed investment decisions, having access to comprehensive German data in 2024 can unlock opportunities you didn't even know existed.

Beauhurst's new German data gives you access to:

- Registry information such as financial statements, including turnover and employee figures, as well as directors, corporate structures and more.
- Website and social media accounts
- Company descriptions and industry/buzzword classifications
- Fundraisings
- And much more

Want to know more? Speak to one of our experts, book a demo or hit reply on any email from the Beauhurst team.

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