



Doing business in Germany



Are you a member of a UK company wishing to export overseas?

Interested in entering or expanding your activity in the German market? Then this guide is for you!

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about Germany; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in Germany with offices in Düsseldorf, Munich and Berlin. Full contact details are available at the end of this guide.



Important Information - Sanctions and Embargoes

Some countries may be subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the [Department for Business, Innovation & Skills \(BIS\)](#)

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Introduction

British companies in their thousands recognise Germany as the key international marketplace on the doorstep.

Situated in the heart of Europe, just an hour by air from the UK, Germany is the UK's number one European export market and number two world-wide, with annual sales of more than €39 billion in goods and services.

While headlines may focus on emerging markets, British exporters remain committed to pursuing opportunities which exist in the world's largest exporting nations. The UKTI trade team continues to provide support and services to new and repeat clients and looks forward to continuing to welcome new clients who realise they don't need to travel to Asia to win business.

Strengths of the market

In brief these are:

- Germany has the largest economy in Europe
- Europe's largest domestic market
- Easy access from the UK with low cost flights from several UK regional airports
- English widely spoken and accepted as business language
- Highly sophisticated infrastructure
- Situated at the heart of Europe, Germany provides instant access to established markets in Western Europe and emerging markets in central and Eastern Europe.

Opportunities in Germany

The successful export sectors from the UK to Germany include; vehicles and automotive components, petroleum and gas, healthcare, aerospace, ICT, chemicals and creative industries. But potentially any goods may sell in Germany if they fit the needs of this sophisticated market.

Economic Overview

With a gross domestic product of more than € 2.4 trillion, Germany is the largest economy in Europe and the third strongest economy in the world.

Germany experienced some turbulence in the recession as global demand tumbled, but the economy has returned to growth. In January 2009 the German government approved a €80 billion economic stimulus plan to protect several sectors from a downturn. Germany was one of the first European countries to emerge from the recession in 2009 and has seen record growth rates of over 3 % since.

The country has a strong industrial base and is heavily export orientated. Germany is the UK's largest export market in Europe, and second largest globally after the US. The UK maintains a market share of around 6.7%.

The German economy is characterized by its small and medium-sized companies. Although we have all heard of the big players such as BMW, Mercedes, Siemens, Adidas etc, approximately 99 % of all companies are SMEs. Most SMEs are family owned and have been passed from one generation to the next.

The overall unemployment rate has consistently fallen since 2009 and reached a new low in March 2011 with 7.3%.

Population

With 81.8 million inhabitants Germany has the largest population of any EU member state. With 231 inhabitants per square kilometre Germany is also one of the most densely populated countries in Europe. 88% of the population live in cities and conurbations.

Political Overview

In September 2009 a new coalition Government was elected with the Conservatives (CDU /CSU) and Liberal (FDP) parties now governing. Head of the Government is Federal Chancellor, Angela Merkel (CDU). Head of State is Federal President, Christian Wulff.

The Federal Republic of Germany consists of 16 States (Länder). Baden-Württemberg, Bavaria, Bremen, Hamburg, Hesse, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland, Schleswig Holstein were in the former West Germany. The "New Federal States" of the former East Germany are Brandenburg, Mecklenburg-Western Pommerania, Saxony-Anhalt, Saxony and Thuringia. Berlin, the capital, is also a Federal State.

Each state has its own parliament, government and civil service, and has considerable autonomy in local affairs. Regulations may differ slightly from state to state. Information should be sought from the appropriate authorities in that state.

Two decades after German reunification, standards of living per capita incomes remain significantly higher in the states of the former West Germany than in the former East. The modernisation and intergration of the eastern German economy continues to be a long-term process and scheduled to last until 2019.

Getting here and advice about your stay

FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice [please visit the FCO Travel section](#)

Getting here

There are many direct flights between the UK and Germany operated by approximately 12 different airlines. As well as the national airlines flying to the major cities, there are also a number of low fare airlines which operate services to regional airports.

There are also a number of ferry services linking the UK to France, Belgium and the Netherlands. Once in Germany driving is easy and the German Autobahns are toll free.

The German tourist board offers information on travel in Germany www.germany-tourism.co.uk

Preparing to Export to Germany

Germany is a member of the EU and the Schengen community and so EU standards and regulations are applicable to the import processes in Germany.

The majority of British companies planning to establish themselves on the German market do this through a local business partner with the ability to distribute and provide technical support.

UKTI's team in Germany can provide a range of services to British-based companies wishing to grow their business in the German market. Our services include:

- Market analysis - information about the market specific to the customer's product or service.
- The identification and in-depth assessment of potential business contacts/partners.
- Pointers on standards and regulations.
- Assistance with the organisation of receptions, seminars and product launches.
- Sector overview, identifying competitors and highlighting relevant events, associations and trade magazines in the market.

You can commission these services under which are chargeable and operated by UK Trade & Investment (UKTI) to assist British-based companies wishing to enter or expand their business in overseas markets. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

To find out more about commissioning work, please contact your local UKTI office. See www.ukti.gov.uk

Sources of information

Further Information on business in Germany is available on these websites:

- German-British Chamber of Commerce, London <http://www.ahk-london.co.uk>
- Germany Trade & Invest <http://www.gtai.de>
- Trade Fairs and Exhibition Committee <http://www.auma.de>
- Deutschland.de <http://www.deutschland.de>
- German Business portal <http://www.german-business-portal.info>

How to do business in Germany

Gateways/Locations – Key areas for business

Germany has a number of large cities, the most populous being Berlin, Hamburg, Munich, Cologne, Frankfurt and Stuttgart. By far the largest conurbation is the Rhine Ruhr region (12 million) including Düsseldorf, Cologne, Essen and Dortmund. The Ruhr is an important industrial region with the majority of the iron and steel industries concentrated here. Apart from the Ruhr, other prominent industrial areas are located in Bavaria, Dresden, Bremen and Hamburg.

Germany is one of the leading nations for several technologies of the future. These include biotechnology, IT and numerous high-tech divisions in individual sectors, for example aviation, aerospace, electrical engineering and logistics. Companies specialising in environmental technology have emerged and as front runners. IT follows car-making and electronics/electrical engineering as the third largest sector and bio and genetic engineering is second to the United States worldwide.

Different sectorial clusters can be found throughout Germany. Trade Advisers in Germany will be able to advise companies where these are.

Market entry and start up considerations

It is important to send the most senior manager that can be spared in the first instance. Whoever is sent must be in a position to speak for the company in all matters pertaining to setting up a company and have the authority to take decisions on the spot. If the person concerned can speak German or is a qualified technician this is obviously an advantage, but the level of responsibility is more important.

Customs and Regulations

Germany is a member of the European Union and applies EU customs procedures. If you sell, supply or transfer goods out of the UK to someone in another country you may need to charge VAT on them. Further information and advice can be obtained from HM Revenue and Customs. <http://www.hmrc.gov.uk/vat/managing/international/exports/goods.htm>

Tax

The standard rate of VAT in Germany has been 19% since 1 January 2007. A lower rate of 7% is charged for convenience goods and services needed on a day-to-day basis (such as food, newspapers or public transport). Some services (including banking, healthcare and non-profit work) are VAT exempt.

Goods exported from the UK to Germany are zero-rated for VAT purposes, but the supplier must quote his customers' VAT registration number on the invoice. This number is referred to in German as the "Umsatzsteuer-Identifikationsnummer" or "UST-IdNr" for short.

Fiscal Agency

The Finanzamt Hannover-Nord is responsible for British companies, which are not based in Germany. The first stage in registering is to submit a questionnaire signed and marked with your company stamp to the German registration unit. Having done this they will issue your German

VAT number (Umsatzsteuernummer) on average within 4 to 6 weeks. Once registered, you will have to submit preliminary VAT returns and a final summarising (annual) VAT return.

Further information is available on the Agency's website:

Finanzamt Hannover-Nord

Vahrenwalderstr. 206

D-30165 Hannover

Tel: (0511) 6790-6398

Fax: (0511) 6790 133

http://www.ofd.niedersachsen.de/master/C2151049_L20_DO_1636_h1.html

Tax Refund in Germany

Did you know that Value Added Tax (VAT) on your business related costs in Germany can be reclaimed? If you have been to Germany on a business trip, exhibited at a German trade fair or acquired accommodation costs, costs for car hire or training courses in Germany you can potentially save approximately 19% of your business expenses by completing your VAT refund application.

Further information on how to go about reclaiming VAT can be found on HM Revenue & Customs website:

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&pageLabel=pageVAT_ShowContent&id=HMCE_PROD1_029943&propertyType=document

Legislation and Local Regulations

Germany is a modern and constitutional state with reasonable law.

When entering into an agreement with a German agent it should be born in mind that German law is far more favourable to the agent than English law despite moves to unify agency law within the EU. It is a complex matter and professional advice should be taken.

There are few restrictions on which industries or services may do business in Germany, but the country is highly regulated at nearly all levels, and it wise to check first before going ahead with any investment. This is particularly relevant in the case of all artisans and anything connected with the construction industry. In the case of banks and insurance companies there are government bodies overseeing them, and most other industries and services are members of an association that to a greater or lesser extent regulates what members can or cannot do.

Recruiting and Retaining Staffing

In most areas of Germany there is no shortage of qualified staff. Apprenticeships are the norm in most industries, and universities and technical high schools are to be found in all the major cities. There is however a shortage of IT and computer specialists throughout the country, and a general shortage of qualified technical staff in Southern Germany. By comparison in eastern Germany and the Ruhr, where restructuring is still taking place, there is also high unemployment. Retraining programmes ensure that there is a large pool of skilled and semi-skilled employees to draw from.

Government employment exchanges are to be found in all cities and larger towns and are the most frequently used sources of information for both job seekers and potential employers from both inland and overseas. Enquiries should be directed to the "Arbeitsamt" covering the area in question or the central office at the following address:

Zentralstelle für Arbeitsvermittlung (ZAV)

http://www.arbeitsagentur.de/nn_29928/Navigation/Dienststellen/besondere-Dst/ZAV/ZAV-Nav.html

Villemombler Strasse 76

D-53123 Bonn

Tel.: (0228) 713-0

Fax: (0228) 713-270 1111

Email: ZAV-Bonn@arbeitsagentur.de

Details of job vacancies on offer throughout Germany and other information can be found on their website.

To identify specialist staff and top management it is sometimes better to use executive research agencies. They are more expensive, but everything from advertising to short list interviewing is undertaken.

Labelling and Packaging Regulations

Packaging plays an important role in the choice of a product by German consumers and it is essential that great care is taken in conforming to German tastes. After new legislation on packaging was ratified by the German government in 1991 other criteria are now of equal importance. The main aim of the legislation is to reduce the amount of packaging material that is disposed of by conventional municipal refuse collection systems, and to increase the percentage of materials that can be sorted and recycled.

The law made it obligatory for packaging to be collected and appropriately disposed of, so German industry set up its own, so called "Duales" system, which guarantees to do that. Companies, including non-German, who purchase a license fee, have the right to print a green dot or "Grüne Punkt" symbol on their packaging which signifies that the packaging is recyclable and can be disposed of through the "Duales" collection and recycling system. Details in English are available from:

Duales System Deutschland

Gesellschaft für Abfallvermeidung und

Sekundärrohstoffgewinnung mbH

Frankfurter Str. 720-726

D-51145 Cologne

Email: ds@gruener.punkt.k.eunet.de

www.gruener-punkt.de

Tel: 0049 (0)2203 937-0

Fax: 0049 (0)2203 937-196

The German-British Chamber is the official UK representatives of Duales Systems Deutschland. They can help UK exporters with advice about the German Packaging Ordinance, their application to join the Green Dot scheme and the administration of their accounts once they are registered.

German British Chamber of Industry & Commerce

16 Buckingham Gate

London

SW1E 6LB

Email: green.dot@ahk-london.co.uk

www.grossbritannien.ahk.de

Tel: +44 (0)20 7976 4171

Fax: +44 (0)20 7976 4101

Getting your Goods to the Market

Germany is a member of the European Union and as such goods entering from the UK are not subject to import duty.

Standards and Technical Regulations

Standards and Technical Regulations Information on German Standards is available from:
The German standards institute is: Deutsches Institute fur Normung e.V. www.din.de

Intellectual Property Rights

IP rights are territorial, that is they are only given protection in the countries where they are granted or registered. If you are thinking about trading internationally then you should consider registering your IP rights abroad.

The address of the German patent and trade mark office is as follows:

Deutsches Patent - und Markenamt

Zweibruckenstr. 12

D-80331 Munchen

E-Mail: patentamt@patent-und-markenamt.de

www.dpma.de

Tel.: (089) 21 95-0, 21 95-3402 (Telephone advice)

Fax: (089) 21 95-2221

British companies setting up a subsidiary in Germany or selling a product or service with a trade name should where possible check beforehand that the name is not already being used for a similar product or service, either through the above office or an international patent agent.

European Patent Office:

Erhardtstrasse 27

80331 Munich

Germany

Tel: (00 49) 89 2399 4538

Fax: (00 49) 89 2399 4465

Trademarks

A mark can be protected as a trademark by recording it in the register kept at the German Patent and Trade Mark Office (DPMA). See address above. For more information, please refer to the "Information for Trade Mark Applicants" fact sheet available at the DPMA website.

Business Etiquette, Language and Culture

Language

Although English is widely spoken in Germany, it cannot automatically be assumed that this is the case, particularly in the former GDR where Russian was the second language, or in dealings with smaller companies or municipal and government authorities. Whenever important contractual matters are being discussed it is wise to have an interpreter on hand. When sending information to potential contacts the introductory letter should preferably be in German and your company brochures should either be in German or contain an insert with a German translation. Good presentation is important.

Meetings and Presentations

It is important to send the most senior manager that can be spared in the first instance. Whoever is sent must be in a position to speak for the company in all matters and have the authority to take decisions on the spot. If the person concerned can speak German or is a qualified technician this is obviously an advantage, but the level of responsibility is more important.

Time is money, particularly in the eyes of German businessmen. First names are rarely used in German Business relationships. Meetings are generally always more formal than in Britain. You should shake hands with all those present. If you make an appointment, keep it, and be on time. Be direct. Small talk is fine, but preferably after business hours or when the contract has been signed. British understatement and humour can on occasions be misconstrued. Keep this for when you have got to know your German business partner better. Be patient but politely persistent in your negotiations. Notarised authority to represent the company on these and similar occasions, e.g. opening a bank account, will also be required.

The names of interpreters and translators are available on request from all [British Consulates-General](#) and local German chambers of commerce (Industrie- und Handelskammer). [German Chambers](#)

Negotiations

In order for negotiations to be a success it is important to be very well prepared for the first meeting. Technical data and prices are very often discussed right from the outset and you should be ready to talk about terms of any proposed collaboration from the word go. Although a lot of Germans speak English, many will prefer to speak German when it comes to negotiations. If this is the case it is worthwhile to have a translator attend the meetings.

What are the challenges?

The German market is extremely competitive. Companies need to be patient and persistent. Breaking into the market might take a long time. Some German companies have a “buy local” attitude and for this reason British companies must offer something special, a niche product, in order to get attention.

Getting Paid – Terms of Payment

There are no hard and fast rules on terms of payment, and requests for payment vary from immediate to up to 30 days. Discount for payment within this period is sometimes offered, 3% being the norm, but higher discounts are negotiable.

It is generally accepted that customers settle payments within 30 days but German companies might expect discounts between 2% - 3% for payment within ten days (Skonto). Large buying groups often have even more demanding payment terms.

In order to protect the weaker party, business transactions in Germany between companies or a company and a consumer are more often than not based on standard contracts, the terms of which are drawn from the Standard Terms and Conditions Act (Gesetz zur Regelung des Rechts der Allgemeinen Geschäftsbedingungen).

How to Invest in Germany

With a population of 82 million, on average 230 persons per square kilometer, Germany is amongst the most heavily populated countries in Europe. It is therefore a market well worth capturing with an affluent consumer base (GDP \$2.9bn in 2008) and an industry which is able to maintain Germany in its position as the world's second best exporting country. Your company could also profit from the advantages of having a sales base here, or perhaps a manufacturing plant helping to cut delivery times and making use of a proficient and well trained work force.

It is also worth remembering that there are approximately 1,000 British subsidiaries in Germany covering every conceivable product and service.

The Federal government offers a wide range of incentive programmes including loans and grants particularly for SME's. Some areas of Germany which are structurally weak offer grants for up to 50% of capital investment to SME's (other companies a maximum of 35%).

At a local level it is also sometimes possible to obtain beneficial rates or a tax advantage, but it must be remembered that with perhaps the exception of Berlin, virtually no incentives are offered by the major cities such as Hamburg, Dusseldorf, Cologne, Frankfurt, Stuttgart and Munich. It is therefore up to you to decide whether you need all the advantages of the infrastructure of a large city with no incentives, or whether somewhere more out of the way but with a capital boost is what you are after.

Germany Trade & Invest is the government organization that advises foreign companies looking to expand their business activities in the German market. Visit their website (www.gtai.com/web-en/_homepage) to find out more information on investing in Germany.

Financial Assistance

The Federal government offers a wide range of incentive programmes including loans and grants particularly for SME's. Funds are provided by the German government, the individual states and the European Union. Details of these and other investment programmes can be found on the German Trade & invest website.

<http://www.gtai.com/homepage/investment-guide-to-germany/incentives-programs/>

Contacts

If you have a specific export enquiry about the German market which is not answered by the information on this report, you may contact:

UK Trade & Investment Enquiry Service

Tel: +44 (0)20 7215 8000

Fax: +44 (0)141 228 3693

Email: enquiries@ukti.gsi.gov.uk

You will be signposted to the appropriate section on our website, or transferred at local call rate directly to the team in Germany.

Otherwise contact the team in Germany directly:

The Central Coordination Unit (CCU):

British Consulate-General

Yorckstrasse 19

40476 Duesseldorf

Telephone 0049 211 9448 211/216/219

Email address:

central.coordination.unit.duesseldorf.fco.gov.uk

We have a team of staff in Düsseldorf, Munich and Berlin dedicated to helping British exporters win business in Germany. The following provides details of the UKTI staff in Germany and the main sectors they cover:

Düsseldorf

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UK Trade & Investment can help you make the most of these opportunities and help you plan your approach to the market. You can find out more about the range of services available to UK companies trading internationally through your local International Trade Team.

We hope that you have found this guide useful. For further information, please contact your International Trade Adviser or one of the UKTI team in Germany.

Resources/Useful Links

Country Information:

BBC Website

http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO Country Profile

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

Culture and communications

CILT – National Centre for Languages - Regional Language Network in your area:

http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx

Kwintessential culture guides:

<http://www.kwintessential.co.uk>

Customs & Regulations

HM Revenue & Customs:

www.hmrc.gov.uk

Import controls and documentation (SITPRO):

<http://www.sitpro.org.uk>

Economic Information:

Economist

<http://www.economist.com/countries/>

EU Points of Single contact

http://ec.europa.eu/internal_market/eu-go/index_en.htm

Export Control

Export Control Organisation:

<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html>

Export Finance and Insurance:

ECGD

<http://www.ecgd.gov.uk/>

Intellectual Property

Intellectual Property Office:

www.ipo.gov.uk

Market Access

Market Access Database for Tariffs (for non-EU markets only):

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

SOLVIT – Overcoming Trade Barriers (EU Markets only)

www.bis.gov.uk/EUMarketAccessUnit

Standard and Technical Regulations:

British Standards Institution (BSI):

<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory:

<http://www.npl.co.uk/>

Intellectual Property:

<http://www.ipo.gov.uk/>

Trade Statistics

National Statistics Information:

<http://www.statistics.gov.uk/hub/index.html>

UK Trade Info:

<https://www.uktradeinfo.co.uk/>

Travel Advice

FCO Travel:

<http://www.fco.gov.uk/en/travel-and-living-abroad/>

NHS:

<http://www.nhs.uk/nhsengland/Healthcareabroad/>

Travel health:

<http://www.travelhealth.co.uk/>

Business Link: International Trade

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

Essential reading for exporters!

Find out more at:

<http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544>

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