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Germans see 'Ltd' as quick route to riches

By Kate Connolly in Berlin

(Filed: 09/10/2004)

Increasing numbers of German entrepreneurs are setting up businesses under British law to bypass their own costly and bureaucratic system.

Germans of every trade and walk of life are seizing the opportunity to set up limited companies. Now every fourth new joint stock company in the country is "Ltd" as the business community turns its back on the unwieldy German "GmbH".

From plumbers to funeral parlours, "Ltds" are being seen as the answer to a prayer for many who for years have battled their bureaucrats' hostility towards entrepreneurship.

The floodgates opened last year when Germany's federal courts were forced to bow to a European Court ruling and concede that German law could no longer prevent businesses from registering in Britain.

Experts say there are now between 15,000 and 20,000 limited companies that have addresses in Britain but pay their taxes in Germany. The advantages of a Ltd over a GmbH are immediately clear. While someone wishing to set up a GmbH needs 25,000 euros (£17,000) in capital outlay and is required to spend an average of three months mired in paperwork, a limited company takes an average of three or four days to establish and demands capital investment of just £1.

"Becoming a limited company was a great advantage," said Sebastian Krummel, director of Unternehmerkasse, a management consultancy whose head office is in a glass-walled complex in the centre of Berlin. "We were able to set up within a matter of days and get down to business immediately without messing about with bureaucratic procedures. Not only that but 'Ltd' has a certain international appeal about it which 'GmbH' does not."

Within less than a year the company, which has a PO box in Birmingham, has grown from nothing to having a projected profit for next year of £700,000.

Mr Krummel turned for help in setting up his company to an agency, scores of which, boasting contact to Companies House in Britain and offering legal and linguistic expertise, have sprung up around the country to cope with the surging demand.

The agencies, with names such as Limited4you and Limited 24, lure their clients with such slogans as "The solution to your business problems" and "Bye Bye Germany", offering to set up a company within 24 hours for £340.

Irene Stoger, a Munich hairdresser, was in possession of

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the papers confirming she was the director of Huddersfield-based "Munich Stylists Ltd", within 24 hours. She paid £640, which included the agency's commission and the registration fee to Companies House.

"The speed was great and the fact I didn't have to put up a huge outlay, but the best thing is the legal protection I get from being an L T D," she said, spelling each letter slowly.

"Under British law I'm protected from having all my assets seized in case of insolvency, while under German law I don't get such protection if things go wrong. So it's thanks to these three letters that I'm able to sleep at night."

Risk-taking is not something Germans are fond of, particularly at a time when their [economy is in the doldrums](#) and unemployment is expected to reach five million by Christmas. In such a climate Ltd seems even more attractive, though there is still resistance to it among some German MPs.

Michael Silberberger, head of the company set-up agency Go Ahead Ltd, said: "By cutting the red tape and offering people the chance to go into business who would otherwise have thought twice about it, Ltds are paving the way for a modernised Germany. It's just a shame we couldn't have thought of it first."

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