



## **Establishment of a limited liability company (GmbH) - Corporate Law**

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GRP Rainer Lawyers and Tax Advisors in Cologne, Berlin, Bonn, Bremen, Dusseldorf, Essen, Frankfurt, Hamburg, Hanover, Munich, Nuremberg, Stuttgart and London - [www.grprainer.com/en](http://www.grprainer.com/en) conclude: A limited liability company (GmbH) is usually established for the purpose of achieving economic gains. A non-material purpose for a GmbH exists when the company is not pursuing any economic interests. A GmbH could also have other intended purposes. For example, a financial administration may form a GmbH for the purpose of public interest services. It could thus profit from the GmbH's limited liability without having to accept a loss of influence. With increasing frequency, self-employed people establish a GmbH; this is especially useful for lawyers, tax consultants and engineers.

Regardless of the GmbH's numerous new fields of application, its limitations should not be disregarded. For example, a GmbH is not allowed to have a purpose that is against the law or contrary to social standards. It would be against the law if an admissible legal transaction is prohibited due to its nature.

If a GmbH has a purpose that is not admissible, its articles of incorporation would be invalid from the start. Such invalidity could be asserted by anyone as long as the company has not yet been entered in the commercial register. The result would be that the court would not register the company. If the registration has already taken place, the company has been established. In that case, an annulment suit would have to be filed or the company could be annulled by the public authorities.

If the nature of business is admissible, but the corporate purpose is inadmissible, partners may at best have the right to withdraw.

Often, the complexity of German corporate law means that legal help becomes necessary. Especially with regard to a company's purpose, a lawyer with experience in commercial law can offer advice even prior to establishing the firm. In formulating the articles of incorporation, such a lawyer will take the wishes of partners as well as legal provisions into account. This is how legal problems can often be avoided at the outset.

<http://www.grprainer.com/en/GmbH/-Limited-Liability-Company.html>

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Anlage: Bild

