



AICEP

Agência para o Investimento
e Comércio Externo de Portugal

2026



*Welcome to
Germany*

German Startup Ecosystem

WELCOME GUIDE FOR PORTUGUESE STARTUPS

AICEP

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Introduction

Germany has successfully established itself within the European startup scene, displaying a notable rise in the perception of startups in the economy over the last decade. Renowned for its appeal to international startups, Germany's market size and central location in Europe contribute to its attractiveness. While the country's federal structure provides diverse development opportunities, it also introduces added complexities.

However, several challenges have persisted over the last few years: although the German economy went through a difficult period, the recession witnessed in previous years is slowly turning back into growth, [with the European Commission predicting GDP growth year-over-year \(yoy\) in 2026. Investment is expected to stagnate this year, inhibited by tighter financing conditions and weaker economic sentiment. However, lower inflation is set to support real household incomes and underpin a moderate increase in consumption in 2025 and 2026. Strong public investment growth and the expectation of looser fiscal policy are projected to support a gradual recovery in corporates' equipment investment.](#)

Continuing the trend of 2024, the number of startups in 2025 has increased compared to the slight drop that occurred in 2023. Despite an environment of economic uncertainty, which presents challenges for the growth of the startup scene in Germany, this rebound demonstrates renewed momentum in the German startup ecosystem, with growth observed across nearly all regions of the country.

Global Startup Landscape

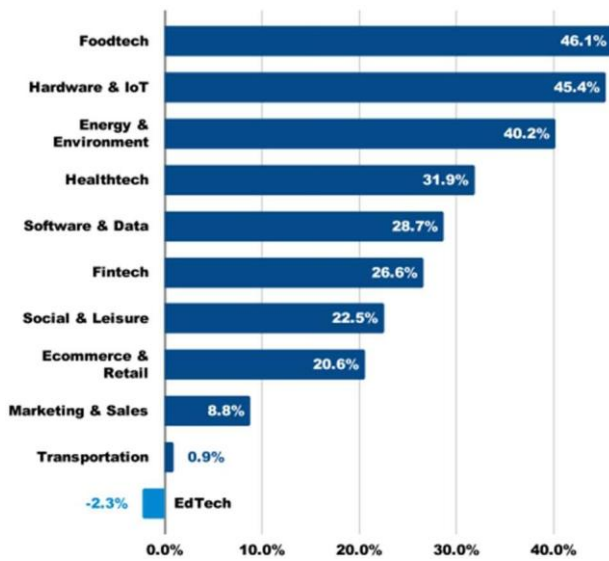
Global startup funding reached its peak in 2021, totaling 643 billion dollars (a growth of 92% compared to 2020), suffering a downturn to \$445bn in 2022 and dropping to \$304bn in 2023. Following this low peak, there was a slight resurgence to \$328bn in 2024 and a significant growth of 30% year over year in 2025, to a total of \$425bn invested in startups around the world, still remaining below the peak that was reached in 2021. The global economic and political situation has altered the regional dynamics and growth rates in several corners of the world. This bubble faced challenges with rising inflation and interest rates, prompting a shift towards prioritising profitability over growth. This trend continued in 2025, with startups and companies seeking to be more resilient in a highly unpredictable environment.

- The United States of America remain the world's leading startup ecosystem, with 9 out of 10 companies in the world with highest financing in the fourth quarter of 2025 being situated in this country, with AI remaining the dominant actor in new startups. The significant degree of uncertainty over the course of 2025 led investors in the US to remain cautious, with many prioritizing late-stage deals or holding back funding. Furthermore, the US Federal government was affected by a shutdown at the end of 2025. Despite all of these conditions, funding was extremely high in the last quarter of 2025, standing higher than the previous two quarters.
- The number of Unicorns has slightly improved, with its growth being slower but steadier. Recent estimates point to around 200 more new Unicorns since 2023. A third of these new Unicorns are AI-centered, which marks a clear trend for AI, especially Generative AI.
- While global employment remained relatively stable, layoffs in the IT and startup sectors continue to be high. This trend can be observed around the world, but the USA remains the most affected, with almost ¾ of the global layoffs in the sector. Intel, Panasonic, and Microsoft are the companies experiencing the most significant wave of downsizing in 2025, with the increased adoption of AI being seen as a possible contributing factor.

Looking at StartupBlink's annual Global Startup Ecosystem Index Report (GSEI), and the startup patterns, we can derive that the fastest-growing sector is Artificial Intelligence, with it being described as "the most transformative technology of our time" by StartupBlink CEO Eli David Rokah.

The [Global Startup Ecosystem Index Report](#) showed that, as of 2025, Foodtech, Hardware & IoT, and Energy & Environment are the fastest-growing sectors, each expanding by over 40% in startup count. Transportation shows the slowest positive growth, with an increase of less than 1%. Edtech is the only industry to decline, with a negative growth rate of -2.3%.

AI doesn't show up as a sector because it doesn't fit in the single-industry bucket, being a cross-sector technology, that is, it plays a key role in a significant array of the presented sectors. In fact, AI is widely regarded as the central macro force shaping startup ecosystems, repeatedly treated as the baseline capability driving competitiveness and specialization.



Startups industry growth, 2025 (source: [StartupBlink](#))

Germany maintains a prominent position in the European startup ecosystem, reflecting its diverse and dynamic landscape. As of 2026, Germany has 49 cities in the global Top 1000. Germany's holds three top-5 level-country positions, ranking 5th in all three of them: Edtech, Energy & Environment, and Transportation.

Berlin and Munich are the dominant cities in the German ecosystem, an ecosystem that shows reduced levels of centralization – Berlin (the number 1 city in Germany) scores only 2.1x higher than Munich (2nd city in Germany), which shows relative balance when compared to other countries. Berlin, although growing, has been overtaken by Tokyo and dropping to the 15th place in 2025. Berlin's specialisation is Transportation, where it ranks 11th in the world, while Munich's is Transportation, where it ranks 22nd.



VivaTech, 2026 (source: [VivaTech](#))

VivaTech, one of Europe's largest annual startup and technology event, published the "Top 100 Rising European Startups for 2026", a ranking highlighting the 100 most promising young companies in the European tech ecosystem. With 23 companies in almost every sector highlighted in the Top 100, Germany stands out as the most represented country in this ranking and demonstrates Europe's ability to innovate on technological and strategic issues, by being a real laboratory for technological and societal transformation.

COMPANY	SECTOR	REGION
ARX Robotics	Defense Tech	Munich
Arbio	PropTech	Berlin
askLio	AI Productivity & Automation	Munich
Black Forest Labs	AI Models	Freiburg im Breisgau
CarOnSale	Marketplace & E-Commerce	Berlin
Dash0	DevOps Tool	Renânia do Norte-Vestefália
Helsing	Defense	TechMunich
Holy	Consumer & Lifestyle	Berlin
Isar Aerospace	Space Tech	Munich
Langdock	AI Productivity & Automation	Berlin
LAP Coffee	Consumer & Lifestyle	Berlin
n8n	Developer Tooling	Berlin
NEURA Robotics	Physical AI & Robotics	Badem-Vurtemberg
Parloa	AI Voice & Conversational	Berlin
Quantum Systems	DefenseTech	Munich
Reonic	Energy	Augsburgo
simpleclub	HR Tech	Munich
Synthflow AI	AI Voice & Conversational	Berlin
Taktile	FinTech	Berlin
The Exploration Company	SpaceTech	Munich
Voize	HealthTech	Berlin

Current Trends

Industry Trends

- Artificial Intelligence (AI) remains the major focus and investors are looking for startups that link the technology to market demand, avoiding “AI for AI’s sake”. This being said, AI and predictive algorithms are being used to tailor experiences and anticipate customers’ requests.
- Financial technology continues to grow, despite ongoing market volatility. There is particular interest in institutional solutions, decentralised finance and crypto, catering to a growing expectation for speed and convenience.
- A surge in climate tech investments aligns with global efforts to transition to zero emissions. Startups in these areas are attracting significant investment, reflecting a global push for

environmental responsibility and innovation.

Social Trends

- Consumers in 2025 are increasingly seeking brands that align with their values, emphasising sustainability, ethical labour, and transparent sourcing. Startups that prioritise social good, fair trade, and environmental impact are gaining loyal customer bases and often command premium pricing.
- Geopolitical uncertainty remains a top concern for the sector, influencing investment decisions and prompting startups to build more resilient and adaptive systems.

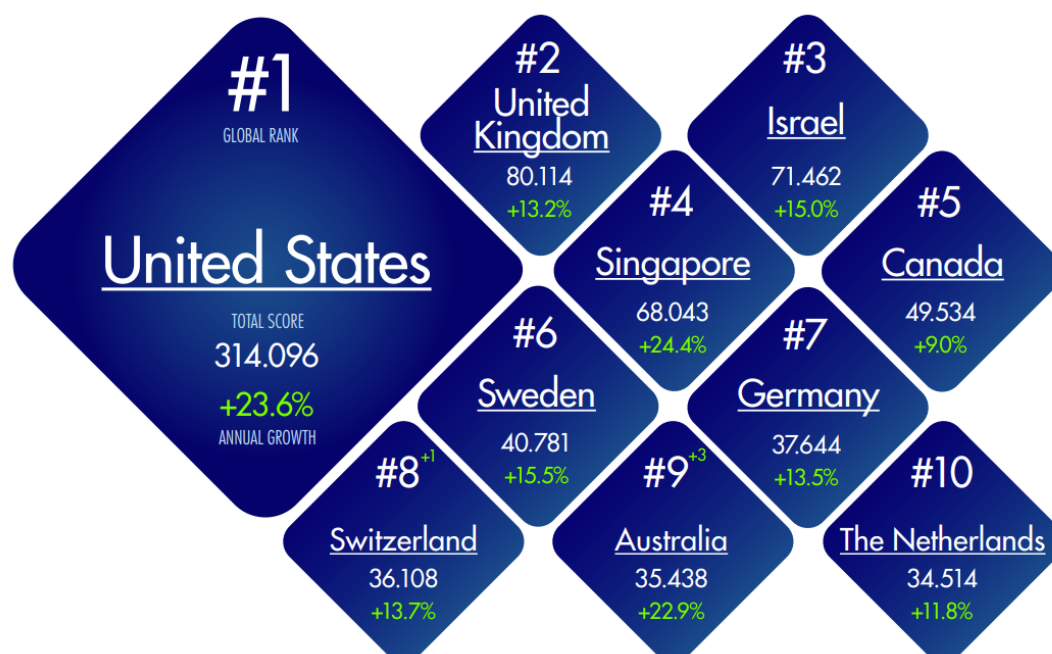
Why Germany?

Germany emerges as an unparalleled destination, offering multiple advantages that foster a valuable environment for growth and success of startups. With a robust and stable economy (even in times of contraction), the country establishes a solid foundation for startups seeking security and expansion opportunities. Positioned at the heart of Europe, Germany provides seamless access to a vast market, facilitating growth into neighbouring countries. Renowned as a global innovation hub, the nation fosters a culture of creativity and cutting-edge research, providing startups with a dynamic ecosystem to thrive.

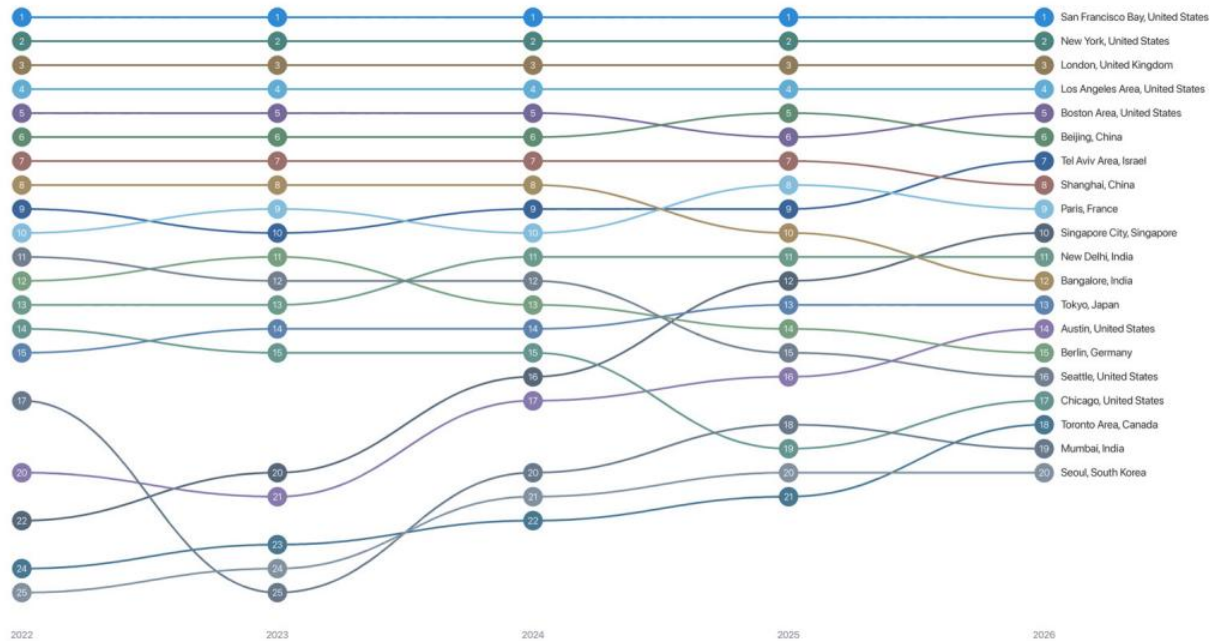
Germany's strong industrial base creates opportunities for collaboration, with a diverse and skilled workforce ensuring access to talent across various industries. The government actively supports startups through policies, incentives, and funding programs, nurturing an environment favourable to business growth. The startup ecosystem, comprising incubators, accelerators, and co-working spaces, offers essential support and networking opportunities, while the well-established venture capital landscape provides startups with access to funding and investment opportunities, facilitating effective scaling of operations.

There are 7870 startups in Germany, with the number of new companies being founded increasing, 33 of them being unicorns (young companies not listed on the stock market valued at over 1 billion USD). This growth, coupled with the growth of venture capital attracted in 2025, signals the importance of startups to Germany's economic recovery and future viability.

Beyond economic factors, Germany distinguishes itself with a commitment to sustainable practices and environmental consciousness, aligning with the values of modern startups focused on social and environmental impact. The country's excellent transport network and global connectivity further enhance its appeal, facilitating international business activities and collaboration with global partners.



Top 10 Countries (source: [Global Startup Ecosystem Index 2026](#))



Top 20 Cities (source: [Global Startup Ecosystem Index 2026](#))

Economic and Market Opportunities

In Germany, startups have the opportunity to enter into technologically advanced industries such as automotive, manufacturing, and engineering, fostering a climate of innovation and collaboration. The nation is at the forefront of the Industry 4.0 revolution, where digitalisation and smart technologies are transforming traditional industries, creating new pathways for startup success.

Germany's export-oriented economy facilitates startups in expanding their reach beyond national borders, engaging in global trade. The country's strong emphasis on research and development provides a foundation for collaborative projects and access to cutting-edge advancements. Startups can capitalise on the growing demand for green technologies and sustainability initiatives, aligning with Germany's commitment to environmental consciousness.

Within the various sectors and industries, Germany plays a pivotal role in driving innovation, with the nation's dedication to research establishing a fertile ground for startup initiatives. Embracing emerging technologies, including artificial intelligence and blockchain, Germany maintains its position at the forefront of technological innovation. The nation's flourishing e-commerce market and the increasing demand for digital services provide startups with opportunities to disrupt tradition.

In essence, Germany's economic and market landscape offer a diverse array of opportunities across industries, making it an ideal destination for startups seeking innovation, collaboration, and sustainable growth.

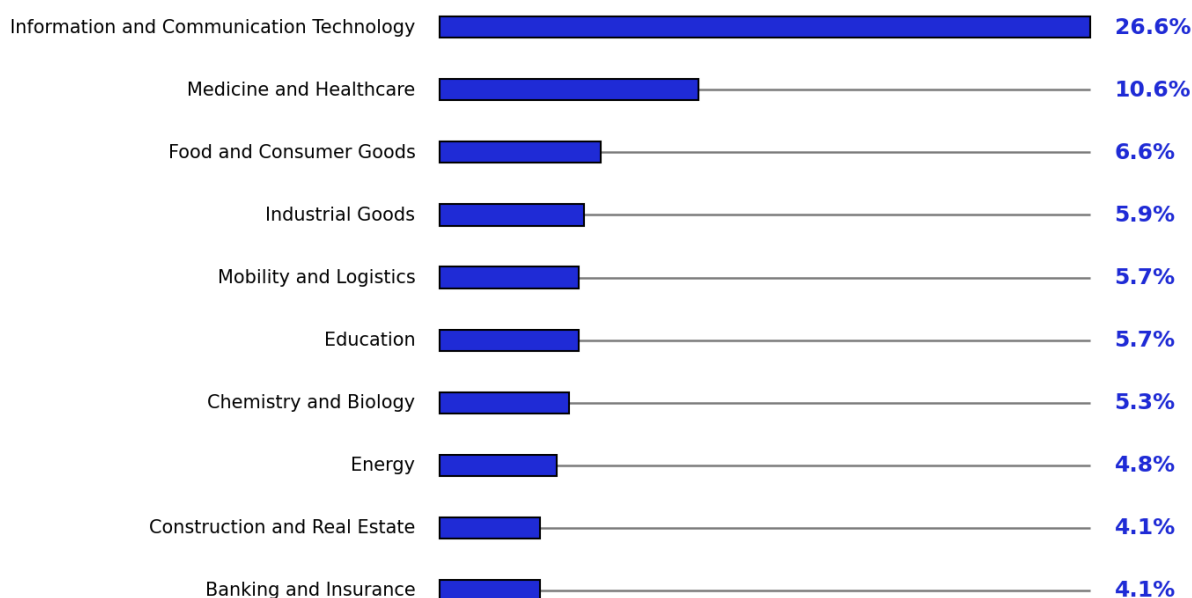
German Startup Ecosystem Overview

The German startup scene is characterised by the country’s federal structure, which gives more power and independence to German states and fosters the development of a non-centric startup ecosystem. On the flip side, it also prevents the creation of a massive global hub compared to more centralised countries such as the UK and France. The diversity of the German startup scene is evident in some of its notable startups and its main startup hubs. In Berlin, N26 has established itself as a successful Fintech startup, while Flix focuses on mobility. In Munich, the focus is on B2B startups and hardware & IoT. Germany has a tradition of producing global-scale, high-quality corporations, such as SAP, Siemens, and Bosch. All these companies are funding initiatives within the German national startup ecosystem as part of their open innovation activities.

Germany’s strength and diversity are also reflected in the quality of seed startup ecosystems. Some organisations are actively involved in developing local startup ecosystems and there are initiatives bringing together startup ecosystem stakeholders from different hubs in the country and facilitating the exchange of knowledge.

Startups are present in all economic sectors and therefore make a fundamental contribution to innovation, digitalisation and competitiveness across the board. [At 26,6%, Information & Communication Technology clearly dominates, followed by Health Tech \(10,6%\), Food Products \(6,6%\) and Industrial Goods \(5,9%\).](#)

Share of each industry in the German startup ecosystem



[Source: Deutscher Startup Monitor 2025](#)

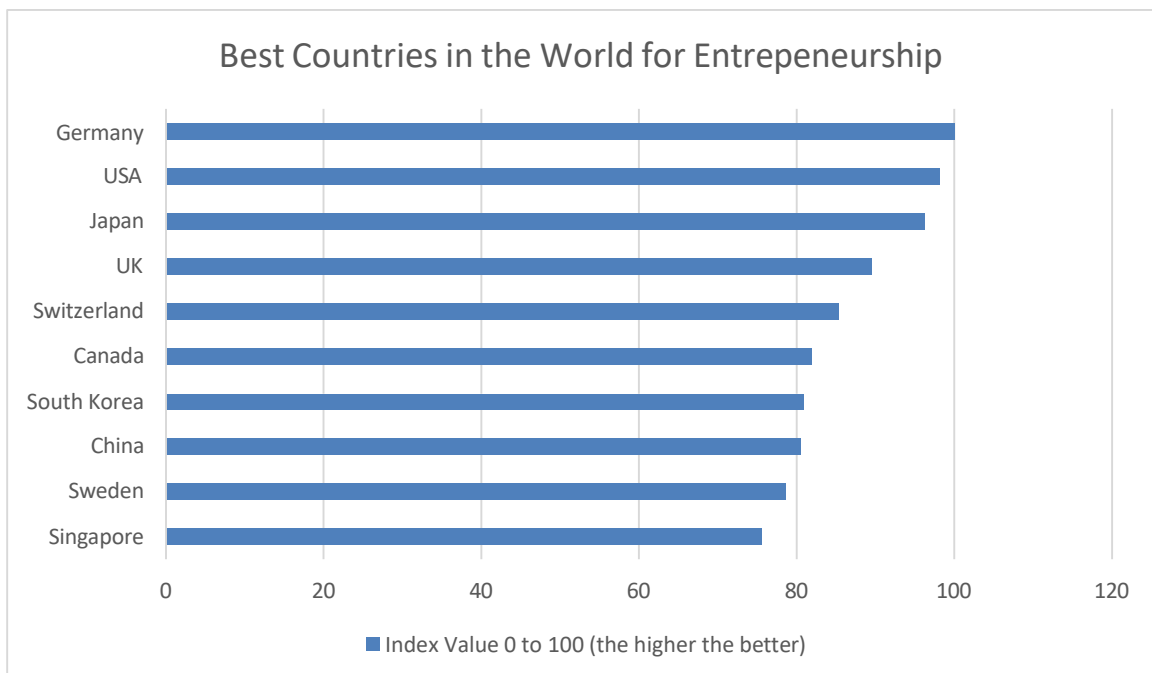
Key Cities for Startups

National Rank & Change	City	Global Rank & Change	Total Score & National Share	Annual Ecosystem Growth	Top Industry Global Rank
1 ⁻	Berlin	15 ⁻¹	58.694 45.4%	-2.6%	🚗 Transportation #11
2 ⁻	Munich	40 ⁻⁴	27.606 21.4%	-2.1%	🚗 Transportation #22
3 ⁻	Hamburg	90 ⁻⁷	10.796 8.4%	+0.8%	🔧 Hardware #59
4 ⁻	Cologne	127 ⁻⁸	7.391 5.7%	+1.3%	⚡ Energy #88
5 ⁻	Frankfurt	151 ⁻¹⁸	5.774 4.5%	-8.5%	⚡ Energy #89
6 ⁻	Stuttgart	162 ⁺⁵	5.035 3.9%	+8.9%	🚗 Automotive #93
7 ⁻	Rhine-Neckar Area	177 ⁻⁸	4.614 3.6%	+3.5%	—
8 ⁻	Düsseldorf	184 ⁻¹¹	4.289 3.3%	+2.0%	📦 Consumer Goods #94
9 ⁻	Hanover	240 ⁻¹⁹	2.714 2.1%	+8.2%	—
10 ⁺²	Leipzig	265 ⁻²³	2.355 1.8%	+11.6%	—

Explore rankings for 1,500+ locations across 100+ tech markets — with filters by industry, pillar, and year. [Unlock the full dataset.](#)

Germany City Ranking (source: [Global Startup Ecosystem Index 2026](#))

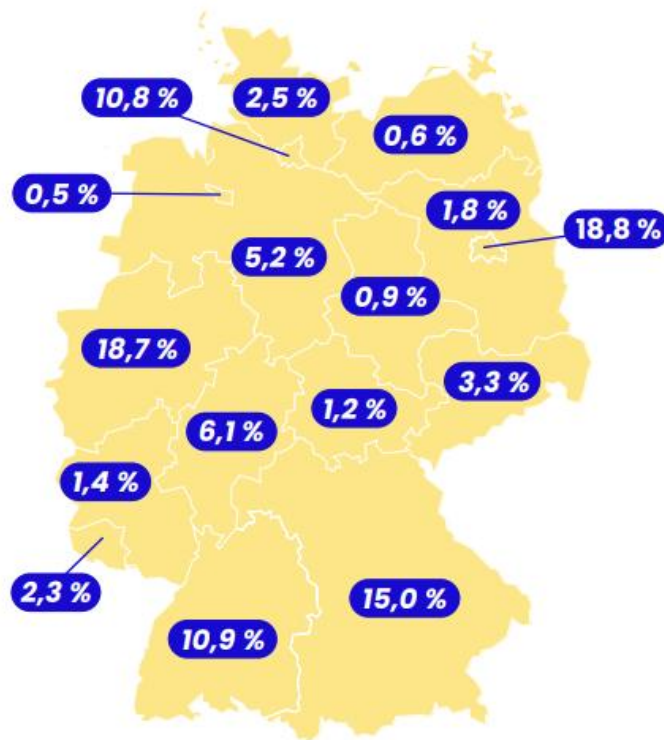
In 2024, Statista ranked Germany as the best country in the world for entrepreneurship and startup creation, surpassing the previous year's winner, the United States. According to the German Trade and Invest (GTAI), Germany has supported the creation of 2766 startups, with Berlin and Munich leading as key hotspots.



Ranking of the best countries for entrepreneurship and startups (source: [Statista, 2024](#))

Berlin and Munich are undisputedly the most important startup hotspots in the German ecosystem. At the same time, the startup landscape is characterised by many other strong regions and university-related clusters, in line with the overall population and economic structure. Berlin is the most important city/region, having 18,8% of all startup locations in Germany; Hamburg follows as an important location (10,8%) and the states of North Rhine-Westphalia (18,7%), Bavaria (15%), Baden-Württemberg (10,9%) and Hesse (6,1%) also account for a large proportion of respondents.

Headquarters of startups by federal state



Source: [Deutscher Startup Monitor 2025](#)

When searching for the pivotal factors in thriving ecosystems, functioning networks play a central role alongside the serial founders and experienced business angels. Entrepreneurs who regularly connect with other entrepreneurs tend to be more successful, especially when there is an environment of trustworthy exchanges. In the hotspots of Berlin and Munich, entrepreneurs, on average, have a particularly high number of other entrepreneurs in their social circles.

However, those are not the only hotspots. Frankfurt, a growing Fintech and innovation hub, benefits from organisations like [TechQuartier](#), [StartHub Hessen](#), and [Frankfurt Economic Development](#), which foster entrepreneurship and attract investment to the city. Similarly, North Rhine-Westphalia's state government actively supports startups through its innovation programs. In Hamburg, [Hamburg.de](#) serves as a key platform for promoting the local startup ecosystem, providing resources and networking opportunities for entrepreneurs.

In addition, the German ecosystem focuses heavily on international and national events that allow for networking with numerous players from different stages of the entrepreneurial process. One example is [Bits & Pretzels](#), a networking and founders festival that takes place in Munich.

Funding and Investment

The German startup ecosystem is witnessing a robust financial commitment from the government, which serves as a catalyst for innovation and competitiveness, positioning Germany as a thriving hub for startups.

[Startup funding](#) has been steadily rising after the major drop between 2021 and 2023 (went from 14,6 billion euros to €6,9bn), reaching €7,5bn in 2025. The majority (41,8%) has managed to raise less than 500.000€. The higher the sum, the lower the percentage of companies that were able to raise said value, with 31.9% of companies raising between 500.000€ and 2 million euros, 20,4% raising between 2M€ and 10M€, and only 5,9% raising above 10M€.

However, there is still a substantial reliance on American and British investment, with some of the largest amounts raised by German startups and Unicorns coming from the Anglo-Saxon world. While the German government is taking efforts to strengthen the country's growth financing landscape, further work is needed, particularly in areas such as international banks and venture capital.

Overview of Funding Sources

In terms of funding sources, government grants remain a central pillar, especially in the early stages, with more than half of startups utilising this funding path. For subsequent steps towards company growth, business angels and venture capital are crucial. There has been a notable variation when it comes to preferred funding in the last couple of years: while in 2022, 44% of startups preferred venture capital funding, the following years the figure decreased to 35%, [recuperating back](#) to 42% in 2025. The causes for this shift in preference are certainly multifaceted, but greater caution on the part of venture capital and higher demands on startups could have temporarily dampened the attractiveness of such investments among founders.

German-based entrepreneurs benefit from the advantage of developing solutions for a robust local economy, the largest in Europe. Simultaneously, leveraging Germany's leadership position in the EU

opens doors for global market connectivity. However, despite its strengths, Germany faces challenges such as bureaucratic red tape and complex tax laws. Additionally, while Germany boasts a skilled workforce, high labour costs and stringent employee protection laws pose challenges for startup founders.

[German investors provided 31% of the German startups raised capital, with the US coming second at 26%.](#) Business angels were involved in a significant share of the financing rounds, especially in smaller deals and early-stage funding. They are also more prevalent in sectors where venture capital is less active, such as e-commerce and software, as well as having a growing interest in Climate Tech, Energy and Sustainability. Berlin and Frankfurt also have a strong Fintech scene that attracts these business angels. There's also a geographical preference, with most Munich-based angels investing in Munich, while Berlin-based invest in Berlin.

There's not only the National Business Angels Associations, but also regional organisations and individual business angels. Bavaria, Berlin and North Rhine-Westphalia, being the main areas for startups, also have plenty of associations representing these regions. Many individual angels are successful entrepreneurs or former executives from Germany's Mittelstand or DAX-listed companies.

German business angels are known for being particularly rigorous in their due diligence, focusing on factors beyond profitability. Some of these very important focuses are diversity and social or environmental impact, with the business angels prioritising startups with these mindsets. Plenty of them take an active role in advisory boards or providing other types of operational support. They are also very likely to pool their resources together for larger investments. [German angels have also begun to look for opportunities outside of Germany, with special attention for startups based in the EU.](#)

Platforms and events are still the main drivers of networking between angels and startups, with online platforms like Companisto or Seedmatch making it easier for angels to co-invest and for startups to access a broader investor base. However, in-person events are still the primary way to network, with numerous fairs and pitch events organised by national and regional associations. There's even the German Business Angels Day (*Deutscher Business Angels Tag*), which is the largest national conference for angel.



Venture Capital Landscape

In recent years, Germany has undergone a remarkable evolution in its venture capital landscape, transforming from a terrain marked by scarce investment opportunities to a highly attractive destination for both domestic and international investments. This shift is propelled by a combination of factors, including heightened government recognition of the pivotal role startups play in driving economic growth and the increasing interest from the private sector.

In this dynamic landscape, prominent venture capital has emerged, not only as financial backers but also as key players in providing mentorship and strategic guidance to flourishing startups. This collaborative approach ensures that startups not only secure the necessary capital but also benefit from the expertise and experience of industry veterans.

Additionally, the venture capital scene in Germany has witnessed a strategic shift towards focusing on specific verticals, with emphasis on Health, Fintech, Enterprise Software or Energy – with a special mention to the Defense and Security sector, that has a relatively low number of deals compared to the aforementioned, but they are of very large dimension, surpassing most of them. This tailored approach reflects a keen understanding of the sectors showing promising growth and disruptive potential, contributing to the overall vibrancy and adaptability of the German startup ecosystem.

Germany tends to have every sector in an organisation, and the VC sector is no exception. The [Bundesverband Beteiligungskapital \(BVK\)](#) is the German Private Equity and Venture Capital Association, acting as an interest representation with the media and policy-makers. The [KfW Venture Capital Dashboard](#) also helps provide accurate data on VC activity in Germany, and is considered a reference in the sector. Like with business angels, there are not only national associations, but also regional VCs associations, representing cities like Berlin and Hamburg and states like Bavaria and North-Rhine Westphalia.

There is also some evidence pointing to VCs based in certain cities to invest in particular sectors. Munich VCs are linked with Deep tech, AI, aerospace, industrial tech, while Berlin VCs prefer Fintech, SaaS, consumer internet, and creative industries. Frankfurt, being known for its banking and financial sector, should come as no surprise that its VCs also follow that trend. Meanwhile, Stuttgart VCs see more focus on mobility and green tech.

While the venture capital landscape in Germany has been growing substantially, challenges persist. Startups often face the dilemma of balancing growth and profitability, and venture capitalists play a crucial role in guiding these decisions. Furthermore, regulatory hurdles and bureaucratic processes are slowing down the investment cycle, and business confidence overall remains low.

However, these challenges are accompanied by opportunities. Germany's strong ties with established corporations create avenues for strategic investments and partnerships. The tradition of open innovation, where established companies collaborate with startups, provides a unique landscape for venture capital to thrive. That was seen at the beginning of 2025, where there was an increase in deal volume by venture capitals.

The venture capital landscape in Germany is more mature but poised for further evolution. As startups continue to play a vital role in driving economic growth, venture capital will be an anchor in transforming innovative ideas into scalable businesses. Government support, combined with the expertise of venture capital firms, will likely shape the landscape, making Germany an even more attractive destination for those seeking to invest in ground-breaking ventures.



Government Grants and Initiatives

In the complex landscape of funding and investment, government grants and initiatives serve as a crucial pillar, fostering innovation and propelling early-stage ventures towards success. [The German government continues to make a substantial financial commitment, with several capital initiatives for startups, totalling an amount of €25b](#) over the next years. This reflects a long-term vision to support startups as drivers of economic growth and goes beyond mere funding, indicating an understanding of the importance of startups in advancing technology and creating employment.

Key initiatives are providing vital support for aspiring entrepreneurs by alleviating financial barriers and offering mentorship. Public funds also play a significant role in bridging the gap between ideation and market entry, by injecting capital into promising ventures. Some noteworthy initiatives are also supporting startups in their early stages by easing development costs, fostering an environment where innovative ideas can flourish into sustainable businesses.

	€125,000 (capital expenditure and working capital)		
ERP Startup Loan Startgeld	€50,000 (capital expenditure)	5-10 years	20%
ERP Loan for Founding & Succession	€500,000	15 years	100% (Lower interest rate)
ERP Startup Loan Universell	€25M	20 years	50%
EXIST Program	€150,000	1-1.5 years	0 (Grant, not loan)
High-Tech Gründerfonds (HTGF)	€800,000	4 years	100% (6% interest rate)
German Micro-loan Fund	€1,000 - €25,000	5 years	100% (1,5% - 6% interest rate)
INVEST Program (Only for investors)	€10,000 - €333,333.33	3 years	20% (reimbursed tax free)

Fonte: AICEP 2025

Media outlets such as [Gründerszene](#), [Handelsblatt](#), and [Deutsche Startup](#) actively contribute to shaping the narrative of the German startup scene. Their coverage and analysis play a crucial role in highlighting success stories and industry trends. This scene is further helped by English-speaking media outlets and platforms, such as [Starbase](#) allowing for better insight on the German situation.

Legal and Regulatory Environment

Business Registration and Licensing

In the dynamic arena of the German startup ecosystem, navigating the legal and regulatory landscape is a critical aspect of establishing and operating a business. Business registration and licensing processes serve as gatekeepers, ensuring that startups adhere to the legal frameworks that govern their operations.

Germany offers various legal structures for startups, each with its implications for liability, taxation, and regulatory requirements. The most common include *Gesellschaft mit beschränkter Haftung (GmbH)* for limited liability companies and *Aktiengesellschaft (AG)* for public companies. The choice of legal structure impacts aspects such as the minimum capital requirement, shareholder liability, and corporate governance.

For smaller businesses, there has been an update to the small-scale Entrepreneur rule (*Kleinunternehmerregelung*). From the beginning of 2025, companies with a revenue of less than €25,000 net in the previous year and revenue of less than €100,000 net in the current year are eligible for the small-scale entrepreneur status. Having this status exempts the company from being charged VAT, and now they are also not required to submit the annual VAT return. There has also been a flexibilisation of e-invoices, with small-scale entrepreneurs being exempt from passing them, although they will still need to be able to receive them. However, from the moment these limits are exceeded, the status is lost and VAT will be charged from that point onwards.

Entrepreneurs register their businesses with the local trade office (*Gewerbeamt*) and obtain a tax number from the local tax office (*Finanzamt*). However, it's essential to note that freelancers (*Freiberufler*) are exempt from registering with the *Gewerbeamt*, which also applies to professions such as doctors, lawyers, architects, and journalists, among others. For specific sectors or regulated activities, additional permits or approvals may be required. For instance, startups in the healthcare, finance, or food industries need sector-specific approvals to ensure compliance with health, safety, and regulatory standards.

Adhering to German labour laws and regulations is imperative for startups employing personnel, which includes compliance with employment contracts, working hours, and wage regulations. Additionally, startups must be aware of social security contributions and employee benefits to ensure a harmonious employer-employee relationship.

While Germany provides a favourable environment for startups, the legal and regulatory landscape presents challenges. Navigating bureaucratic processes and ensuring compliance with evolving regulations can be time-consuming and complex. Startups must stay abreast of legislative changes and proactively address compliance issues to mitigate legal risks.

Taxation for Startups

While Germany offers a stable and transparent tax environment, startups may encounter challenges in navigating complex tax regulations, as changes in tax laws and evolving international standards can impact the taxation landscape.

Startups are subject to corporate taxation, with the standard corporate income tax rate being 15%. Additionally, there is a solidarity surcharge of 5,5% on the corporate income tax, resulting in an effective tax rate of 15,825%. However, a reduction in the corporate tax rate has been legislated to begin in 2028, decreasing by 1 percentage point per year until it reaches 10% in 2032.

Germany employs a Value Added Tax (VAT) system, known as *Mehrwertsteuer (MwSt)*. The standard rate is 19%, with a reduced rate of 7% applicable to certain goods and services. Startups engaged in taxable activities must register for VAT, and compliance with regulations is crucial to avoid penalties. From 2025, all companies and self-employed persons must be able to receive e-invoices, with the obligation to have to pass e-invoices becoming universal from 2028.

To foster innovation and entrepreneurship, Germany provides tax incentives for startups. The Investment Tax Act offers relief for corporations investing in young and innovative companies, and startups engaged in research and development activities can benefit from the Research and Development Tax Credit, which was expanded in 2025, further incentivising innovation within the startup ecosystem.

For startups engaged in international transactions or part of a global corporate structure, transfer pricing regulations become relevant. Germany follows the arm's length principle, requiring transactions between related entities to be priced as if they were between unrelated parties.

Startups are also required to submit annual tax returns, and adherence to reporting deadlines is critical to avoid penalties. Leveraging digital tools and consulting with tax professionals can streamline the reporting process and ensure startups meet their fiscal obligations.

The legal retention period for invoices has been reduced from 10 to 8 years, allowing for simpler bureaucracy and less paperwork to be saved. The basic allowance for income tax has also been increased to €12,096, amount up from when it starts being taxed.

Networking and Collaboration

In Germany, a rich network of supporting entities, startup incubators and accelerators, as well as events and fairs, contributes to the dynamic interaction between entrepreneurs, investors, and industry experts.



[Berlin Partner](#) is a public agency that aims to improve the conditions for startups in Berlin.



[Gründer Plattform](#)

supports entrepreneurs set up.



[Bitkom](#) represents its member and offers services on digital topics.



[GTAI](#) helps companies develop abroad and foreign companies setting up in Germany.



[BITMi](#) represents medium-sized IT companies.



[InsurLab Germany](#) drives digital transformation and innovation in the insurance industry.



[BVIZ](#) is the German association of innovation, technology and business incubation centres.



[Invest in Bavaria](#) is a regional programme that supports companies setting up in Bavaria.



[de:hub](#) is the Digital Hub Initiative, connecting companies with new innovation partners.



[KI](#) represents the interests of AI entrepreneurs in politics, business and media.



[eco](#) is the Association of the Internet Industry and has members worldwide.



[Make it Germany](#) is a government website to recruit international skilled workers.



[Factory Berlin](#) is a member-only business club for investors, founders and innovators.



[Startup Verband](#) supports entrepreneurs and represents their interests in politics and business.



[game](#) represents members in the entire video game ecosystem.



[TeleTrust](#) is a widespread competence network for IT security.

Startup Incubators and Accelerators



Events and Fairs

Events and fairs are integral components of the networking landscape in Germany, offering platforms for startups to pitch their ideas, gain visibility, and build valuable connections.

[Bits & Pretzels](#), Munich

[digitalBAU](#), Cologne

[DMEA](#), Berlin

[Embedded World](#), Nuremberg

[EuroCIS](#), Dusseldorf

[gamescom](#), Cologne

[Hannover Messe](#), Hanover

[IFA](#), Berlin

[IT-TRANS](#), Karlsruhe

[LEARNTEC](#), Karlsruhe

[MEDICA](#), Dusseldorf

[ORGATEC](#), Cologne

[PMRExp](#), Cologne

[GITEX](#), Berlin

[Smart Country Convention](#), Berlin

For other events and more detailed information, please refer to [AUMA – Association of the German Trade Fair Industry](#).

Supportive Infrastructure

One of the cornerstones of Germany's startup success is the availability of a highly skilled and diverse talent pool. The country's strong educational system, coupled with a focus on technical and engineering disciplines, produces a workforce well-equipped for the demands of the startup landscape. Germany's universities consistently rank among the top in Europe, fostering innovation and providing startups with access to a stream of qualified professionals. There have also been changes to the immigration policy, allowing global talent to come to Germany and fix labour shortages registered in several areas, including in the tech and startup sector.

The support extends beyond traditional education, with various initiatives promoting skill development and entrepreneurship. Programs like the Dual Study System, an apprenticeship-based approach, bridge the gap between academia and industry, preparing individuals for the practical challenges of startup environments. This program has been extended into fields such as digital technologies, AI, and green energy, reflecting evolving industry needs and startup trends.

Germany's commitment to research and development (R&D) is a driving force behind its startup ecosystem's success, as the country invests significantly in cutting-edge technologies and scientific advancements, creating a fertile ground for startups to leverage the latest innovations.

Collaborations between startups and research institutions are commonplace, fostering a culture of innovation. Initiatives like [Fraunhofer-Gesellschaft](#) and [Max-Planck-Gesellschaft](#) provide startups with access to state-of-the-art facilities and expertise, promoting collaborative R&D efforts. This synergy between startups and research entities has been facilitated in the past years and contributes to breakthroughs across various industries.

Access to Technology and Innovation Hubs

Germany's startup landscape is characterised by vibrant technology and innovation hubs with cities like Berlin and Munich serving as epicentres for technological advancements and entrepreneurial activities. These hubs provide startups with an ideal environment, offering not only physical spaces but also a network of like-minded individuals, investors, and mentors.

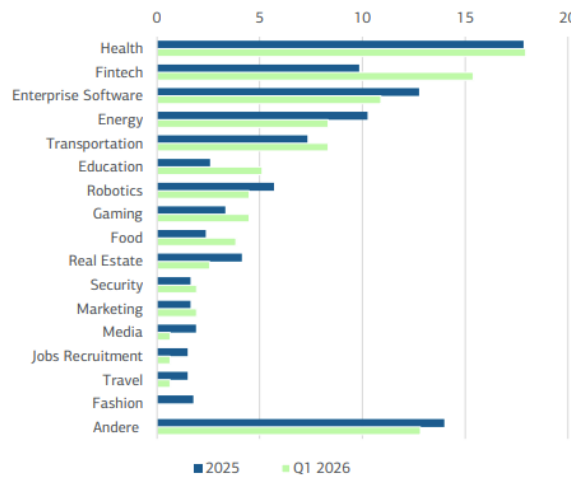
Berlin, in particular, stands out as a global startup hotspot. With its mix of international talent, supportive infrastructure, and a culture of creativity, the city has become a magnet for innovative ventures. Munich, with a focus on industries like automotive and manufacturing, complements Berlin's strengths, contributing to the overall diversity of the German startup ecosystem.



Success Stories - The German Unicorns

The number of Unicorns is a vital indicator for assessing the growth potential of an ecosystem. With the largest population in Europe and a diversified economy, Germany is today one of Europe’s leading hubs for startups and tech companies. Furthermore, Germany is home to around 30 unicorns, ranking 5th in the world and 2nd in Europe in this matter.

Share of deals by industry (in per cent)

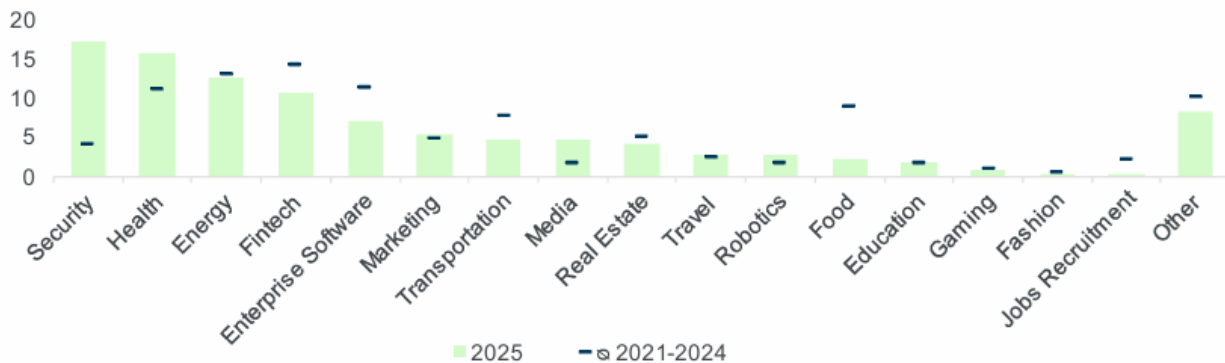


Source: Dealroom.co, KfW Research (as at: 13.04.2026).

Source: [KfW](#) – Venture Capital Dashboard Q1 2026

Share of Deal Volume by Industry (in Percent)

Anteil Dealvolumen je Industrie (in Prozent)



Source: [KfW](#) – Venture Capital Dashboard Q4 2025

Companies like Zalando, DeliveryHero, and HelloFresh were part of the initial successful wave of German Unicorns and, since 2018, their number have more than quadrupled. Celonis, a German unicorn specialised in process mining and intelligent business execution software, has grown to become Germany’s first decacorn. However, *per capita*, Germany still lags considerably behind the top-tier, occupied not only by the USA but also by smaller nations like Israel and Singapore.

The German Unicorns in 2026

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Challenges and Strategies

While Germany hosts a thriving startup ecosystem, it is not immune to challenges. Therefore, understanding and navigating these challenges is crucial for the sustained growth of startups.

- **Regulatory Hurdles:** Startups in Germany often encounter a complex regulatory landscape. Navigating through bureaucracy, compliance requirements, and legal intricacies can be time-consuming and resource-intensive, and makes understanding and adhering to the diverse regulatory frameworks at federal and state levels a significant challenge for entrepreneurs. Building strong networks within the startup ecosystem and beyond is a key strategy as collaborative efforts, knowledge-sharing, and partnerships with established companies can help startups navigate regulatory challenges, access funding, and tap into talent pools.
- **Access to Funding:** Despite Germany's substantial funding support, access to capital remains a challenge for many startups. Competition for venture capital and angel investments is fierce, particularly in popular sectors like Fintech and biotech. To overcome challenges related to funding, startups should diversify their sources of capital, exploring not only traditional venture capital but also government grants, corporate partnerships, and international investors, in order to provide a more stable and diverse funding base.
- **Talent Acquisition and Retention:** While Germany possesses a highly skilled workforce, attracting and retaining top talent is a common challenge. Startups often compete with established corporations for skilled professionals, leading to talent shortages in specific domains. Startups can implement talent development and retention programs to attract and keep skilled professionals, as well as offering training opportunities, flexible work arrangements, and a strong company culture to make them more appealing to potential employees.
- **Cultural Factors:** Cultural factors, such as a preference for job security and risk aversion, can pose challenges for startups looking to foster an entrepreneurial mindset. Understanding and adapting to cultural factors is essential and startups can engage in educational initiatives to promote an entrepreneurial mindset, collaborate with educational institutions, and actively participate in community-building activities to foster a culture of innovation.

Portugal-Germany Relationship

Germany and Portugal have developed a dynamic partnership in the startup and innovation sectors, driven by shared interests in technology, sustainability, and talent development. Both countries exhibit similar patterns in international innovation cooperation, supported by a favourable investment climate, well-educated workforces, and strong institutional ties. This has led to the emergence of joint ventures, co-founded startups, and mutual investment in high-tech industries.

- [In 2023, Portuguese startup Unbabel acquired EVS translations, a German translation company with 150 people in several countries. The acquisition had the objective of expanding Unbabel services and capacities to new markets and sectors.](#)
- [Travel startup Tryp.com, Danish but with Portuguese DNA, received an investment of €3,1 million. This investment was directed by a Portuguese media agency, with British and German support.](#)
- [The German-Portuguese home-care startup Kenbi has raised over €30 million since its inception. Despite the headquarters being in Berlin, and not having any presence for the time being in the Portuguese market, their technological centre is in Porto, where it has a sizable presence. The Portuguese co-founder gives the quality of the IT talent in Portugal and its high fluency in English as the main reason for the tech centre location.](#)
- [Biotechnology startup MicroHarvest raised €8,5 million, allowing it to open a pilot factory in Lisbon. This round of investment had the support of Portuguese capital and the presence of a Portuguese co-founder led to Lisbon becoming a prime location for the startup, with more workers there than in the headquarters in Hamburg.](#)
- [Casafari, a real estate database founded in Portugal by a German couple has reached a venture debt deal of €5 million to continue their plans of acquiring similar minded companies. They have already bought Moonshapes, a Portuguese real estate software startup, and Targomo, a German startup in localization intelligence.](#)
- [Leiria-based Xgeeks, an IA and Cloud Native “scaleup” has been acquired by the German group Synvert, making it their entry into the Portuguese market. The Portuguese scaleup has garnered the interest of big clients, such as Mercedes-Benz and Coverflex. The German group considers this acquisition fundamental for innovation and growth in the IA and cloud sector.](#)
- [Cantanhede-based CarboCode has raised €15 million from investors. The company produces infant formula with nutritional attributes similar to breast milk and has headquarters in Portugal, plus a research centre in Konstanz, Germany. Among their clients is Danone, Nestlé, Abbott, and Mead Johnson.](#)
- [The Portuguese HealthTech company “Sword Health” purchased Kaia Health, the largest HealthTech company in Germany for 238,5 million euros, expanding and strengthening its international position.](#)