



Self-employment in Germany— My first steps into freelance medical writing

by *Stefan Lang*

I vividly remember the moment I came across “medical writing”. Frustrated by my current research project, I was sitting at my office desk and staring at the computer screen. With about 10 years of research behind me and a further 1-year limited contract pending, I thought of trying something new—no experimental strategy, but a completely different career. Finally, I googled around, combined different things that I would like to do or I could build on: “Writing–biology–medicine–get away–creative–scientific–research–marketing”. And there it was: “Ever thought about medical writing as a career?”[1]

I have always liked to write, no matter what kind of document: scientific manuscripts, company reports, product descriptions, and—how embarrassing—even short stories. The frustration of a failed experiment made me think about writing as an alternative career. Going freelance was another consideration. “Many writers also work on a freelance basis, which is an attractive option for some people”, said the EMWA article mentioned above. Once the idea was there, I could not stop thinking about it. So I spent some time and effort gathering information on setting up business, and discussed my freelancing plans with colleagues, friends, and family members.

I made this move quite recently. Therefore, I’d like to give you a rough idea of what you might need to consider before you get started. My article will cover the relevance of the business plan, financial support programmes, and some basic facts about legal structures and taxes in Germany. I hope it may facilitate your decision on whether or not to freelance.

Decisions to be made

Some people freelance while they look for employment. Others choose home-based working to combine the job with childcare. If you are freelancing, neither potential redundancy nor a scheduled 0.25 percent raise is a concern, and—since freelancers are generally more satisfied because of their mental freedom—you do not need to release work-related stress by drinking gallons of alcohol. However, employment seems to be a better bet for practical reasons: benefits of health insurance, paid time off, potential career advancement. If you want to buy property, a steady income may be required to get a loan. I carefully balanced these pros and cons; going freelance was finally a conscious lifestyle choice.

Once the decision was made, a myriad of questions needed

to be answered: “What services will I offer, how will I find my clients, and what tax-related requirements will I have to meet?” The writing of a business plan put me on the right track because I was forced to look at my concept in its entirety as well as in detail. Certainly, the business plan is essential if you seek financing, but, additionally, the process of writing is as important as its result: it leads you step by step through all aspects of self-employment.

First of all, I had to find out what I really wanted to do. Medical writing encompasses various kinds of work, and freelancing would not make sense if you do not like the job. Journal articles, meeting reports, product monographs, and educational material for both healthcare professionals and patients: these were the main experiences I wanted to build on. Because I always liked to work with students, I additionally decided to offer courses in academic writing. I formed an idea of the direction I wanted to take. I will find my niche later.

After I had considered the “if” and “what” questions, answering the “where” was easy. Freelance writing is perfect for home-based working. It costs almost nothing to get started, you can earn money in your pyjamas, and your dog loves you more. If you can deal with feelings of social isolation, which sometimes come up, it is ideal—at least, if your internet broadband connection works. In many German cities, start up centres offer reasonably priced space for offices. Furthermore, they provide the essential technical infrastructure, so I think about it from time to time—especially when my internet connection fails.

Financing: loans and grants

More questions arose while I was drawing up my business plan, and, of course, many of them were about financing. Are you aware of the support programmes for people setting up business in Germany? Most of these programmes take the form of loans, but some involve non-repayable grants. Do not register as a freelancer before you have caught up on these programmes. Many require that the application be made before you officially register as self-employed.

Support loans offered by the Federal Government are managed by the “KfW Mittelstandsbank”. For example, the “Micro-Loan-Program” or the “Start-up Funds” are intended for business founders whose project does not cost more than € 25,000 or € 50,000, respectively [2]. You can apply for these loans at your private bank.

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As freelance writing is not that cost-intensive, you might just require financial support for some months until you land your first clients. If you are unemployed at present, you could apply for the “Start-up grant” (Gründerzuschuss). Essential condition: you are drawing unemployment benefit I (Arbeitslosengeld I) at the moment, and you are entitled to receive benefits for at least three more months. Recipients of unemployment benefit II (Arbeitslosengeld II) may compete for the “initial financial support” [3]. You do not have a legal claim to receive these grants from the employment agency—it is at the case manager’s discretion. You need to document both your job-specific and entrepreneurial qualifications, but requirements are generally within the scope.

Of course, your complete business plan is required to get these loans or grants. In this respect, the business plan might be best viewed as a selling document. The business objectives must be stated in specific, measurable, and realistic terms. Your services, prices, and the legal structure of your business have to be precisely defined: “Who are your clients? How large is the market? How will you promote your business?” You should be able to answer these questions, and your written plan should be long enough to cover these areas thoroughly. A lot of work? Certainly, but even if you never show your business plan to anybody, it is a vital first step.

Taxes, laws, and legal structures

Once financing had been clarified and some further preparations had been made, I finally wanted to register my business. In other words, I had to deal with legal structures, value added tax (VAT), income tax etc. I saved the best until last.

I believe starting a business is like building a house: you cannot do it all alone. That means you do not need to struggle through German tax laws and regulations by yourself. There are various consulting services for start ups, some of them free of charge. I found professional advice at a local start up centre and took some lessons in book-keeping. However, even if you are going to employ the services of a tax advisor, it might be helpful to see what I have learnt about taxes and regulations (for more information [4]).

For tax and professional registration purposes, self-employed people in Germany need to be divided into freelancers and tradesmen. A freelancer is a self-employed person whose business is either in the arts, scientific, journalistic, writing, or teaching sector, and whose work is determined by personal knowledge. Thus, medical writers are generally considered as freelancers.

You might decide to register as a tradesman because you want to limit your liability by running a limited company (GmbH). Tradesmen need to register with the trade registry of the municipal or district office. In addition, a GmbH needs to be registered at the Local Magistrates Office and may require a memorandum of association certified by a

notary public. Tradesmen should be aware of these types of tax: VAT, income tax, trade tax, corporation tax. This list does not claim to be exhaustive.

In contrast, as a freelancer, you normally just have to deal with the income tax and VAT. Moreover, you do not need to prepare annual financial statements as tradesmen do: a simple profit-and-loss assessment is sufficient. Freelancers generally register only at the local tax authorities (additional registrations might be necessary, e.g. if you employ people). For registration, you just need to fill in a form for freelancers (Anzeige einer Betriebsaufnahme), where you will be required to list some details such as your estimated income in the current tax year and your tax-free expenditure.

Furthermore, you will be asked if you want to opt for VAT: if your turnover in the previous calendar year did not exceed € 17,500, and if the turnover in the current year is not expected to be higher than € 50,000, you can register as a “small entrepreneur”. Small entrepreneurs do not have to pay VAT to the tax authorities, and, as a consequence, cannot claim input VAT either. Thus, if you have high investments, you should waive this tax exemption. As a small entrepreneur, you are not allowed to charge VAT, and it is recommended to include the corresponding information on the invoice: “In accordance with the small entrepreneur regulation, § 19 UStG Paragraph 1, turnover tax is not levied.” This phrase may look somewhat unprofessional to some people. Nevertheless, the small entrepreneur regulation is tempting because it avoids boring bureaucracy. You can keep it small and simple at the beginning and opt for VAT later.

Once you have registered, you get a new taxpayer’s ID, and that’s it: you are freelancing.

What have I learnt so far? Taken together, setting up business means a lot of unbillable work, but the diversity of things one needs to deal with is invigorating. Perhaps even more important, I realized that there are many people out there who are willing to provide practical help, advice, and encouraging words. They helped me through times of difficulties and doubts. Let me continue with some more aspects of freelancing in the next issue.

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