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The simplified Sàrl, an Instrument for Startupper

Avocats

2, rue Peternelchen | Immeuble C2 | L-2370 Howald | Luxembourg

T. +352 26025-1 | F. +352 26025-999

mail@bsp.lu | www.bsp.lu

In 2003, the European Commission issued a green paper on European Entrepreneurship and acknowledged the need for Europe to foster entrepreneurial drive more effectively. The capacity to adapt to economic changes is crucial for competitiveness. Hence, entrepreneurship is relevant for firms in all sectors, technological or traditional. New entrepreneurial initiatives boost productivity, increase competitive pressure, forcing other firms to react by improving efficiency or introducing innovation.

It is in 2007 that the Luxembourg Chamber of Commerce launched the idea of the simplified Sàrl, which was not followed with immediate effect. Taking into consideration the solutions implemented by the neighbouring countries, Belgium (*Société privée à responsabilité limitée Starter or SPRL Starter*), France (*Entreprise Individuelle à Responsabilité Limitée or EIRL*) and Germany (*Mini-GmbH or Unternehmergesellschaft mit beschränkter Haftung or UGG*), Luxembourg wanted to react quickly and efficiently in order to foster entrepreneurship in Luxembourg.

On February 2nd 2015, the bill of law 6777 (the **Bill 6777**) having the purpose of creating a simplified private limited liability company (*Société à responsabilité limitée simplifiée*) (**SàrlS**) amending the law of August 10th 1915, on commercial companies, as amended (the **Law 1915**) was filed.

On July 13th 2016, the Luxembourg Chamber of Deputies adopted the Bill 6777, consequently introducing the SàrlS as a variant of the currently existing private limited liability company (*Société à responsabilité limitée*) (**Sàrl**) in Luxembourg.

AN INSTRUMENT AIMED AT PHYSICAL PERSONS

In compliance with the Luxembourg governmental program, the Bill 6777 aimed at stimulating the development of the entrepreneurial spirit by creating, for entrepreneurs that are natural persons, a legal structure that not only offers a protection in terms of personal liability, but also enhances their visibility.

Therefore, the new SàrlS is strictly reserved to physical persons as shareholders and only individual persons can become managers thereof.

Moreover, in order to avoid potential abuse, a physical person cannot be shareholder of several SàrlS on the same time, unless the parts have been transferred because of death.

A VARIATION OF THE SÀRL

The SàrlS is a variation of the Sàrl which has proven great deal of flexibility whilst ensuring a sound legal structure. In other words, the existing rules regulating the Sàrl will apply to the SàrlS except when provided otherwise by the Law 1915.

COSTS AND FORMALITIES EFFICIENCY

SàrlS may be set up by a private deed, a special deed or a notarial deed, which will be published. The choice is up to the founder of the SàrlS.

Reduced costs of incorporation upon the setting up a SàrlS through a private deed with an initial share capital of Euro 1. The total amount necessary to incorporate the company, that is with all the required registrations and publications, would amount to Euro 191 with a yearly membership fee to the Luxembourg chamber of commerce (*Chambre de Commerce*) of Euro 70.

REDUCED CORPORATE CAPITAL AND LEGAL RESERVE

Sàrls may be incorporated with an initial corporate capital of Euro 1, which must be entirely subscribed and paid-up. Thus, the corporate capital of a SàrlS may be comprised between Euro 1 and Euro 12,000.

The very limited amount of corporate capital is counterbalanced with the obligation for shareholders of such SàrlS to create a (non-distributable) legal reserve funded on a yearly basis by the allocation of one-twentieth (5%) of the net profits. Such allocation shall cease to be compulsory when the aggregate amount of the legal reserve and the corporate capital shall reach Euro 12,000.

A LIMITED SCOPE OF PERMITTED ACTIVITIES

The corporate object of the SàrlS must compulsorily relate to activities requiring a business licence application. Such business

licence must be obtained prior to the constitution of the SàrlS since it must be filed upon filing the SàrlS with the Luxembourg register of commerce and companies.

NON-LIMITED DURATION

The SàrlS must be considered as a transitory regime aimed at allowing young entrepreneur to reach a certain level of stability; nevertheless, the amended Law 1915 will not provide for a time limit in order to reach the minimum capital requirement of a Sàrl.

ENTRY INTO FORCE

The amended Law 1915 will enter into force as of January 16th 2017.

Over the coming period we shall offer to you a tailored discussion and introduction into the amendments.

Should you need any further information, please do not hesitate to contact us.



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For further information, please contact:



Pierre-Alexandre Degehet, Partner
Head of Corporate M&A Practice
padegehet@bsp.lu

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