

Single-member private limited liability companies

2014/0120(COD) - 09/04/2014 - Legislative proposal

PURPOSE: to facilitate the establishment of single-member private limited liability companies, SUPs (*Societas Unius Personae*).

PROPOSED ACT: Directive of the European Parliament and the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: there are around 21 million SMEs in the EU out of which approximately 12 million are limited liability companies and around half of them (5.2 million) are single-member private limited liability companies. European small and medium-sized enterprises (SMEs) - have an essential role to play in strengthening the EU economy. However, they still face a number of obstacles, which hamper their full development within the Internal Market.

Only a small number of SMEs invest abroad. The reasons for this include the diversity of national legislations, in particular differences in national company laws, and the lack of trust in foreign companies among customers and business partners.

Establishing single-member limited liability companies as subsidiaries in other Member States **entails costs** due to the diverse legal and administrative requirements which must be met in the Member States concerned. Such divergent requirements continue to exist among Member States

The European Commission aimed to address these costs in its 2008 proposal for a [European Private Company Statute \(SPE\)](#). Despite strong support from the business community it has not been, however, possible to find a compromise allowing for the unanimous adoption of the Statute among Member States.

The Commission decided that it would withdraw the **SPE proposal** (the REFIT exercise) and instead announced to come up with the proposal of an alternative measure designed to address at least some of the problems addressed by the SPE. This approach is consistent with the [2012 Action Plan](#) on European company law and corporate governance, which reaffirmed the Commission's commitment to launch other initiatives, further to the SPE proposal, in order to enhance cross-border opportunities for SMEs.

IMPACT ASSESSMENT: the chosen policy option would provide for the possibility of on-line registration, with the standard template for the articles of association, a minimum capital requirement of EUR 1, accompanied by a balance sheet test and a solvency statement.

CONTENT: the proposal would facilitate cross-border activities of companies, by asking Member States to provide in their legal systems for a **national company law form that would follow the same rules in all Member States** and would have an EU-wide abbreviation - **SUP** (*Societas Unius Personae*). The overall objective of this proposal, which provides an alternative approach to the SPE, is to make it easier for any potential company founder, and in particular for SMEs, to set-up companies abroad.

The main elements of the proposed Directive are as follows:

Formation of an SUP: there are only two possible ways of founding an SUP to either establishing a company ex nihilo (founding an entirely new company) or converting a company which already exists under another company law form.

An SUP must have its registered office and either its central administration or its principal place of business in the EU.

Articles of association: the Directive provides for the **standard template** for the articles of association, the use of which is obligatory in the case of on-line registration.

Registration of an SUP: Member States should offer a registration procedure that can be **fully completed electronically** at a distance without requiring the need of a physical presence of the founder before the authorities of Member State of registration. The registration of the SUP must be completed within **three working days**.

Single share: as an SUP has only one shareholder, it is only allowed to issue one share that cannot be split.

Share capital: the share capital shall be **at least EUR 1**. Member States should not impose any maximum limits on the value of the single-share or the paid-up capital and should not require an SUP to build legal reserves. The creditors would be protected by the obligation imposed on the SUP directors (and in some cases on the SUP single-member) to control distributions (dividends). A distribution may take place if the SUP satisfies a **balance-sheet test**, demonstrating that after the distribution the remaining assets of the SUP will be sufficient to fully cover its liabilities.

In addition, a **solvency statement** must be provided to the single-member by the management body before any distribution is made.

Structure and operational procedures of an SUP: the proposal covers the decision-making powers of the single member, the workings of the management body and the representation of the SUP in relation to third parties.

In order to facilitate cross-border activities of SMEs and other companies, the proposed Directive grants the single-member to right to take decisions **without the need to organise a general meeting** and lists subjects that must be decided by the single member.

Only natural persons can become directors of SUPs, unless the law of the Member State of registration allows legal persons to do so. The SUP can be **converted** into another national legal form.

DELEGATED ACTS: this proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.