

Newsflash Luxembourg

The law on the introduction of the simplified private limited liability company (*société à responsabilité limitée simplifiée* or S.à r.l.-S) (bill n°6777) has been adopted by the Chamber of Deputies (the “**Law**”).

This law will be applicable as from 16 January 2017.

I. What is the S.à r.l.-S?

The S.à r.l.-S is a simplified version of the S.à r.l. which may have a share capital comprised between EUR 1,- and EUR 12,000.- and may be incorporated under private instrument.

II. Who may benefit from the S.à r.l.-S regime?

The S.à r.l.-S is dedicated to entrepreneurs having limited financial means and/or experience but wishing to start their own business.

To avoid potential misuses, the following restrictions have been set to limit the benefit of the S.à r.l.-S regime:

- the shareholders and managers of the S.à r.l.-S may only be natural persons;
- a natural person may be the shareholder of only one S.à r.l.-S (except in case of transfer of shares due to death);
- the corporate object of the S.à r.l.-S must fall within the scope of the activities for which a business licence is required;
- the Law requires that the business licence number (i.e. the licence to be delivered by the Ministry of Economy for the purpose of the exercise of trade and some craft or intellectual activities) be provided at the time of the registration of the S.à r.l.-S with the Luxembourg Trade and Companies Register.

III. The S.à r.l.-S: a vehicle for small size businesses

The S.à r.l.-S is conceived only as a support for small size businesses. To encourage growing entrepreneurs to adopt, for their businesses, a more traditional legal form, some restrictions

have therefore been set by the Law regarding the capital and reserves of the S.à r.l.-S, i.e:

- obligation to allocate 5% of the net profits of the S.à r.l.-S to a reserve until the amount of such reserve increased by the amount of the share capital of the S.à r.l.-S reaches EUR 12,000.-.
- the share capital of the S.à r.l.-S may not exceed EUR 12,000.-.

IV. Conclusion

The S.à r.l.-S may be an excellent vehicle to allow entrepreneurs to benefit from the limited liability offered by the S.à r.l. while limiting their initial capital contribution.



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