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*Romania is the 2nd largest market in Central and Eastern Europe and ranks high in business attractiveness tops. Are you planning on starting a business in Romania? Here are the main things you need to know about setting up a Limited Liability Company, the most frequent type of company in Romania.*

## **Limited Liability Companies in Romania**

The Limited Liability Company (the “LLC”) is the company whose debts are warranted by its social capital, the liability of the associates being directly proportional with their contributions to the social capital.

The LLC should be incorporated by at least two (2) associates. The associates can be either individuals or legal entities. A LLC cannot have more than fifty (50) associates.

The LLC can also be incorporated by a single person (either an individual or a legal company). A person (individual or legal entity) cannot be sole associate in more than one company. The company that has a sole associate cannot be a sole associate of other companies.

The minimum social capital of a LLC is two hundred (200) Lei (approx. forty six (46) Euros). The social capital must be paid at the time of incorporation. The social capital is divided in social parts. The value of a social part should not be less than ten (10) Lei (approx. two point three (2.3) Euros). The social parts cannot be transferred without the prior approval of other associates and cannot be traded on stock. The transfer of the social parts to a third party is allowed only if the associates representing  $\frac{3}{4}$  of the social capital approve the transfer.

The associates can contribute to the social capital of LLC with assets. In such case, the Trade Registry will appoint an expert in order to evaluate the assets.

The social capital can be increased or decreased by the General Assembly of the Associates.



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LLC is managed by the General Assembly of the Associates. The General Assembly is convened by the administrator/administrators at least once per year. If the LLC has a sole associate, the sole associate has the powers of the General Assembly.

The associates vote according to their contributions to the social capital. Each social part grants the right to one vote in the General Assembly. The associates may agree to validating the vote by correspondence in the articles of incorporation.

The General Assembly passes resolutions with the vote of the associates representing the absolute majority of the social capital. Concerning the amendments to the articles of incorporation, the General Assembly takes the decisions with the votes of all associates.

If the conditions mentioned above are not fulfilled at the first meeting of the General Assembly, the administrator will call the General Assembly at a new date. At the meeting held at the second date the General Assembly can decide with the votes of the associates who attended the General Assembly.

The administrator must convene the General Assembly ten (10) days prior to the date established for the first General Assembly.

The decisions of the General Assembly are implemented by the administrators. The associates can appoint one or more administrators. The number of administrators should be uneven.

The administrators are liable for: (i) the payments of the contributions to the social capital by the associates, (ii) the reality of the paid dividends, (iii) the existence of the registries required by the law, (iv) the enforcement of the resolutions of the General Assembly, (v) the fulfilment of the requirements provided by law and articles of incorporation.

If the associates appoint more administrators, the administrators will decide with the vote of all of them, provided that there is no provision in articles of incorporation which stipulates that they can decide individually.

The administrators can be Romanian or foreign citizens.



There are no legal provisions regulating the period of the mandate of the administrators.

The administrators will represent the LLC in front of third parties, authorities, banks etc.

If the administrators are appointed through the articles of incorporation, they will be revoked with the vote of all associates and if they are appointed through a resolution of the shareholders they will be revoked with the vote of the associates representing the absolute majority of the social capital.

If the LLC has more than fifteen (15) associates, the associates must appoint an internal auditor.

The associates can be excluded from the LLC in the following cases: (i) they do not pay their contribution although they had been notified, (ii) as administrators, they LLC, commit acts of fraud against the LLC.

The associate can give up his quality in the following cases: (i) in the cases showed in the articles of incorporation, (ii) if all associates agree, and, (iii) if the associate votes against any resolution of the General Assembly having as object: the change of the object of activity, the change of the registered address, the change of the type of the company and the merger or demerger of the company.

At the time of incorporation the LLC will be considered a microenterprise and will have to pay as tax 3% of its revenue. If the value of the LLC's revenue is higher than sixty five thousand (65,000) Euros the LLC will pay as tax 16% of the profit.

LLC can be dissolved in the following cases: (i) the period of the LLC was reached, (ii) the object of activity is impossible to be realised, (iii) the LLC is declared invalid or null, (iv) the General Assembly decides the dissolution of the LLC, (v) the decision of the court for solid grounds and if the associates do not agree, (vi) the bankruptcy of LLC, (vii) one of the associates dies or is declared bankrupted and liquidated and in such case there remains only one associate and in the articles of incorporation it is not mentioned that the LLC can function with one associate and/or the associates which remain do not want to continue the activity of the company.