

CHAMBERS HOPE 111 LAW BOOSTS STARTUPS

For Luxembourg, 2016 has been a year of innovation, development and transformation, as the country steadily strives to enhance cultural and commercial multiplicity. While the Grand Duchy is universally recognised as a financial hub, the next step—generating more diverse economic output—is still ahead.

Carlo Thelen, managing director of the Luxembourg Chamber of Commerce, recently said firms like Airbnb and Uber are shaking up traditional structures, and, in turn, adaptation and modernisation is necessary. While the internet is inaugurating a “sharing economy”, public institutions need to make the risky business of doing business more attractive to the bound brains of smaller countries, like the Grand Duchy.

This worldwide shift in the business world is at the heart of new national legislative and administrative processes. At the initiative of the American Chamber of Commerce in Luxembourg, the Grand Duchy’s government is introducing a new kind of company form that will launch in January: the Sàrl-S.

Sàrl is the French acronym for a “limited liability company” and the S at the end stands for “simplified”. Amcham dubbed this type of corporate structure a “111 company” on the premise that one person should be able to start a firm in one day with just one euro.

The new law coincides with the foundation of the House of Entrepreneurship, a Luxembourg Chamber of Commerce led initiative meant to ease the passage into the entrepreneurial world by serving as a “one-stop shop” for company founders. Backers say these are two of many steps aimed at making entrepreneurship not only accessible, but also natural, to Luxembourg’s population.



Amcham has hosted annual talks on the Sàrl-S for the past three years; to promote the new legislation it, along with several other business groups, held a “How to set up a 111 company” seminar in November. However, the process of making this legal structure a reality has been in the works for much longer: six years, in fact, Félix Braz, the justice minister, said at the event.

BUSINESS SEMINAR

As Karl Horsburgh, a financial advisor, put it to the audience, “entrepreneurship is about creating your future,” and the inception of the Sàrl-S or 111 company is set to facilitate these creative procedures. How? In short, by reducing the cost: setting up a Sàrl-S requires a lot less money than the traditional Sàrl. The main reason is the minimum capital requirement has plunged from €12,400 to €1. As one of the main hurdles that any burgeoning business without a solid

financial foundation struggles to overcome, the government, as well as Amcham, hope that this mechanism will be an inviting incentive to those wishing to become entrepreneurs.

Another form of financial relief comes in the form of the personal deed. With notary fees running up to €1,000 to draw up official paperwork, the private deed bypasses these somewhat. However, the Luxembourg Trade and Companies Register (known by its French acronym, RCSL) still has to review the private deed to ensure all mandatory information is

ENTREPRENEURIAL EVENT

A. J. and N. The “How to set up a 111 company” seminar, organised by the American Chamber of Commerce in Luxembourg, with several other business groups, on 8 November 2016 at Autopolis in Bertrange

“ENTREPRENEURSHIP IS ABOUT CREATING YOUR FUTURE.”

> KARL HORSBURGH



B. Carlo Thelen of the Luxembourg Chamber of Commerce

C. Members of the Startupparts--Luxembourg for Startups group, including Santhosh Kannadasan (third from left) and Antony Martini (third from right). Also pictured: Pedro Castilho of the Indian Business Chamber of Luxembourg (fifth from left)

D. Ariane Iranpour and Linda Bos

E. Ana Barreiro and Pedro Gouveia

F. Seated in the front row: Paul Schonenberg of Amcham, Félix Braz, the justice minister, and Karl Horsburgh, a financial advisor who spoke at the seminar

G. The seminar was organised by Amcham (www.amcham.lu), with support from Avris (www.avris.lu), Brave Youth (www.braveyouth.com), Chambre de Commerce Luxembourg (www.cc.lu), Chambre de Commerce Luxembourg Cap Vert (cclcv.com), Indian Business Chamber Luxembourg (www.ibcl.lu), Luxembourg-Poland Business Club (www.lpbc.lu), Romania Luxembourg Business Forum (www.romlux.org), Startupparts (www.startupparts.com), and The Network (www.thenetwork.lu). Delano was media partner.

H. Anna Wiaz and Joanna Grabowska of the Luxembourg-Poland Business Club

I. Madalina Stoian of Avris, Nicolita Balaci, Maciuca Andrea and Georgiana Sidor

present and the deed is legitimate. The precise price of this procedure has yet to be confirmed. The registration forms will be available online once the law becomes effective on 16 January 2017. The registration fee for a Sàrl currently stands at €106, but that is liable to change for a Sàrl-S.

SIMILAR TO SÀRL

Otherwise, the Sàrl-S is nearly identical to the Sàrl. The same turnover tax, value added tax and social security rules apply. This means 111 company owners pay taxes on corporate income, VAT starts at €2,500, and these types of firms still pay employer social security contributions. The trading permit, a law that Luxembourg maintains despite it being abolished in most other European countries, is still necessary. A standard business permit--for commercial and industrial activities--only costs €24, bringing down the total administrative price of starting a business to about €150.

However, 111 companies are not meant for every type of entrepreneur. While Thelen emphasises the opportunities for technology and ICT entrepreneurs, Emilie Pirlot of the Luxembourg Chamber of Commerce and Vincent Hieff of the Ministry of Economy told *Delano* following the event that the Sàrl-S is generally aimed at low investment businesses, such as architects, independent >

engineers or consultants. Thus, the Sàrl-S is most suitable for intellectual professions and those with low initial capital. Hieff said in an interview: “As a rule of thumb, as soon as your required investment exceeds €12,500—the minimum share capital for a Sàrl—it makes more sense to create a Sàrl.” However, they recommend that business projects be reviewed individually, which leads to the new House of Entrepreneurship.

NEW ONE-STOP SHOP

This outfit further eases the transition from self-employed to entrepreneur. The government-led initiative brings all the various administrative processes and information centres together into one physical place. Aside from becoming a hub for entrepreneurs to come together, network and exchange business tips and practices, it offers free consulting services. The House of Entrepreneurship provides tailored advice and assistance to any and “every company throughout their lifecycle,” to help improve their portfolios and services, according to Thelen. The establishment is to be the “engine of the simplification process” of the Luxembourg entrepreneurial economy, unifying partners and players, investors and entrepreneurs. It lets company founders go through all administrative procedures in one space (instead of ten), aids in arranging appointments with multiple administrative contacts on the same day, and speeds up the process of contacting the Ministry of Economy (which issues business permits).

This was achieved in multiple operations: first, through merging the “Espaces entreprises” (companies desk) at the Luxembourg Chamber of Commerce and the former “guichet unique” (one-stop service centre) at the Ministry of Economy. Second, through connecting and drawing in additional, external organisations. So far, 11 different public and private partners have become involved, Thelen stated during the Amcham conference. These include the Adem jobs agency, Chamber of Trades and creative hub 1535°.



Since 111 companies are not yet the norm in Luxembourg, the particular disadvantages of this type of legal structure are still unclear. However, there are several legal restrictions, according to the experts *Delano* interviewed. Only “natural” people (that is, no company or other institution) can be shareholders or managers of a Sàrl-S, and they cannot be so of more than one Sàrl-S at a time. A protective measure for the company’s creditors dictates that each year 5% of the profits must be allocated to a special reserve until it reaches €12,000. There are several other costs: companies are required to prepare financial statements, make company register and VAT filings, and owners must still pay personal income tax and employee social security contributions. Lastly, it’s unclear how banks will react to this change in legislation. Hieff speculates that they might ask for additional personal guarantees now that the initial €12,400 cushion has been removed.

The final advantages of a Sàrl-S? The main point is limited liability at a lower cost. The Sàrl-S provides the same legal protection a traditional Sàrl would have, limiting personal responsibility. Pirlot clarifies: “When an entrepreneur starts his activity as



K. Valentina Kaschina, Lisa Francis-Jennings of The Network, and Anemone Thomas



L. Razvan-Petru Radu of the Romania Luxembourg Business Forum and Marc Devillet of Autopolis

M. Félix Braz, Luxembourg’s justice minister





self-employed, he assumes full responsibility towards third parties [the debts of the business] and commits his personal assets. For the Sàrl-S, as well as for the Sàrl, liability of the partners is, in most cases, limited to the amount of their respective contributions.”

STEPPING-STONE

For the venture capitalists among us, the Sàrl-S increases the amount of potential that Luxembourg has to offer. Lastly, it's a stepping-stone into the business world that makes networking easier for corporate amateurs, and an opportunity to start something and see it grow.

As similar legal structures successfully exist in France, Germany, Belgium and the UK, the Sàrl-S is likely to become an important part of the economy. However, it's less probably to be an ultimate game changer. *Delano* reckons that the Sàrl-S is an important step in the path towards economic diversification and towards opening up the business world to the young, ambitious and inventive. But only time will tell. <



- O.** Evguenia Jeitz
- P.** Daniela Janicijevic and Soufiane Saada
- Q.** Lysiane Hanriot-Jolivald and Stéphane d'Acremont
- R.** Melvin Tjon Akon and Borce Stojkovski
- S.** Amarjit Singh Kleir and Anita Singh Bains-Sangha
- T.** Philip Underwood, Natalie Underwood, Neil Underwood and Janice Allgrove

RESOURCES

- Amcham**
www.amcham.lu
- House of Entrepreneurship**
www.houseofentrepreneurship.lu
- Luxembourg Chamber of Commerce**
www.cc.lu
- Luxembourg Chamber of Trades**
www.cdm.lu
- Luxinnovation**
www.luxinnovation.lu
- Nyuko**
www.nyuko.lu