

# Russian Federation



Salomon Partners

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The law firm Salomon Partners was established in 2006 by several attorneys from different Russian and international law firms. Coming together for the purpose of engaging in our own private practice, we had a vision of a firm rendering specialised legal services of the highest quality in the various areas of our commercial specialisation.

A primary goal of ours is to assist in the creation of corporate business structures that permit the effective operation of a group of companies, minimising risks inherent in such businesses and reliably protecting the property rights of groups within the corporate asset structure. Corporate formation projects typically demand deep immersion into the internal corporate life of the client, requiring many hours of attentive dialogue with top management, lawyers and other employees.

In Russia, the system for company formations can be characterised as a claiming system, in the sense that it is necessary to prepare and sign a set of documents and claim that the state registrar (now run by tax authorities) registers a company as a legal entity. No special resolution or permit is necessary to create a new company in Russia.

The legal requirements for the formation of a company are minimal. The person or company willing to form a new company needs to complete foundation documents such as a charter and foundation agreement, determine the chartered capital - no less than the minimal capital required by law, elect a general director of the company and finally, pay the registration fee and file the documents with the registrar. Registration would usually take five to seven working days.

Knowledge of these legal requirements is widespread within the business community. However, registration authorities often change technical requirements relating to the company registration process and it might well be possible that a set of documents prepared in accordance with the rules effective half a year ago would not be accepted by registrars today. In this case, the assistance of lawyers or specialised registration services companies is often necessary.

The company formation system in Russia has limited interaction with systems in neighbouring jurisdictions. Within the CIS there exist international treaties that facilitate the exchange of information from the registers of legal entities as per the requests of state bodies. A similar treaty is being discussed with Cyprus. However, in practice, it is often faster and more efficient to obtain the necessary information through lawyers in the country of interest.

We help our clients to choose the organisational form of a company best suited for their purposes. In addition to this, we customise foundation documents of the future company, inform them of the relevant corporate governance issues in the created companies and assist with any technicalities that may arise throughout the registration process.

# Poland



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Polish law provides the possibility of carrying out business activity in various legal forms. However, the choice of a specific legal form involves various practical consequences, ranging from, organisational issues to determining the allowable level of risk resulting from the business activity and the possibility of tax optimisation, which is of crucial importance for the business evaluation, and the commercial effectiveness of the structure.

Until recently, the majority of entrepreneurs in Poland have been organising their businesses in traditional forms, whereby business activity is carried out on one's own behalf. The advantage of this form is the opportunity to benefit from the flat-rate tax of 19%. In turn, bigger enterprises are formed into classical partnerships and limited companies.

Partnerships include private partnership, unlimited partnership, limited partnership and limited joint-stock partnership. These partnerships avoid excessive taxation, however, the liability of the management and the shareholders of such partnerships is increased.

Limited companies include a joint-stock company, limited liability company and European (joint-stock) company. Limited companies allow for limitation of the investors' liability, but the profit is taxed twice in the majority of cases, firstly, at the level of company, secondly at the level of a shareholder.

The new 'hybrid' company such as the limited partnership comprising corporate persons as the general partners, ensure that the only shareholder liable with its whole estate is the legal person. The determination of profit division allow for the taxation of profits only once, at the level of the shareholders (limited partners).

The formal requirements connected with the founding of a partnership or a limited company are not sophisticated and come down to, the signing of corporate documents, including a deed of formation, certain registration actions, such as entry in the register of entrepreneurs of the National Court Register; registration at the statistical office, tax office and submissions concerning the employees.

In the case of well-prepared documentation and depending on the place in which the company shall have its registered seat, carrying out the whole procedure takes around four weeks. However, in some cases the enterprise may commence activity before completion of all the formal issues.

When forming a company in Poland a law office should be hired prior to the founding of the company, so we can prepare all the corporate documentation in order to ensure the form and structure of the activity correspond to the needs of the entrepreneur and in order to avoid problems at the stage of both registration and further functioning of the company.

Furthermore, the established and functioning enterprise should not be afraid to ask for our assistance in resolving current corporate issues, as it is often the case that minor corporate issues have major business consequences.

# Romania



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The incorporation process in Romania is not dissimilar to that of other countries in the region. However, investors who are used to purchasing a shelf company and having the corporate documents delivered almost immediately will probably be surprised by the relatively complex and time-consuming nature of corporate incorporations in Romania.

To incorporate a company in Romania there are various legal requirements that must be adhered to such as payment of the share capital into a bank account, ownership or a lease from the registered owner of the premises where the corporate seat/registered office is to be situated, supporting documentation, recently issued, for all shareholders in the new company (which can pose difficulties in the case of corporate shareholders incorporated in more obscure jurisdictions) and, in the case of a single shareholder, confirmation that it is not another Romanian company with a single shareholder and that it is not also the sole shareholder in another Romanian company.

In Bucharest, there are some issues with providing a registered office service to clients forming a company. This is because the Commercial Registry requires that a company which has a lease of a room in premises to serve as its registered office cannot share that room with any other company unless they have the same shareholders. This effectively means that the number of companies that can be hosted in any given building is limited by the number of useable rooms in it.

Similarly, an unfinished building or open land cannot be used as a registered office. There is an exception to this, in the case that lawyers who are engaged on incorporating a company may provide it with an initial registered office for up to a year on the basis of a legal

assistance agreement, rather than a lease of a specific space in their office. The arrangement may not however be renewed, which means that the company will need to look for an alternative registered office after it has been incorporated.

The most practical aspect when forming a company in Romania is the need to deal with the bureaucracy in the Romanian language. This is normally addressed by the preparation of authorised translations for incorporation purposes and, so far as the need to make regular fiscal filings is concerned, by appointing a local accountant to deal with the fiscal authorities on behalf of the company.

## “Preparation is key”

Preparation is key, particularly when a new Romanian company is to be used for a proposed transaction, such as the acquisition of real estate. A new clean Romanian company with fiscal registration and a functioning current account at a bank can take some time to deliver. Therefore, it is important to make compromises to get the company incorporated quickly and then to make further changes as post-incorporation steps.

# Bulgaria



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The two most popular legal forms for carrying out business in Bulgaria are a Joint-Stock Company (AD) and a Limited Liability Company (OOD), though the law also provides for sole trader operations (ET), joint ventures, branches, holdings, cooperatives, and representative offices. They all have to be registered with the Commercial Register, which is a process that at present usually takes up to two months.

The Limited Liability Company is founded or owned by one or more persons, including foreign natural or legal persons. The minimum authorised capital of such an organisation is BGN 5,000. This entity, along with the joint stock company, which requires a minimum share capital of the total capital being BGN 50,000 restrict the liability of the shareholders to the amount of their share in the capital of the company. As a result they are the most preferred forms for doing business in Bulgaria by both locals and foreigners.

Whilst in a Limited Liability Company the shares are attributed to individuals and can only be transferred with a written contract with notarial verification of the signatures, with the consent of the current shareholders and by entering in the Commercial Register, the shares of a Joint-Stock Company can be sold or transferred without informing the Register. A Joint-Stock Company may issue registered, bearer and preference shares. Both paper-backed and book-entry shares may also be issued. The company ensures the anonymity of shareholders and allows for raising funds through issuing bonds or shares on the stock exchange. The company is managed by

the general meeting of shareholders, the board of directors or supervisory board and management board.

The primary legal requirements for the formation of a company according to the Bulgarian Commercial law ensure that the company has to be incorporated by signing of the memorandum of association or another founding act by and between the shareholders, appointment of managers authorised to represent the company before the third parties and the state authorities, registration of the company name in advance by a letter of attorney, in case the manager does not act in front of the Commercial Registry and payment of 70%, for a Limited Liability Company and 25% for a Joint-Stock Company, of the share capital as a minimum required amount. Generally this information is well known to the entrepreneurs in Bulgaria. However, it is advisable to ask a lawyer's advice before completing the incorporation, as the entrepreneurs outside Bulgaria may often be surprised at the amount of work required and the time taken to incorporate a Bulgarian company.

We would advise any investors when they prepare all documents for incorporation of a company to ask a professional to examine the papers and to engage them in the initial stages.