

# INFORMATIVE NOTE

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## CORPORATE LAW

# FREE SHARE CAPITAL IN QUOTA COMPANIES AND SINGLE PERSON QUOTA COMPANIES

Coming into force on 6 April, Decree-Law 33/2011 of 7 March represents the most recent change to the Commercial Companies Code, adopting as it does, measures to simplify the process for setting up sociedades por quotas – quota companies – and sociedades unipessoais por quotas – single person quota companies. The members of these types of companies are now free to establish the share capital as they see fit. Provision is also made for the members of these companies to be able to pay in their share up to the end of the company's first financial year.

This change in the legislation has made it necessary to adapt a number of rules in the legal framework that applies to quota companies. The rules in question relate to the time at which share capital must be paid in, the mandatory information for the articles of association of the company, the new minimum amount for the quotas, which is now one euro, and article 201, now under the title "Free share capital": "The amount of the share capital is set freely in the articles of association and corresponds to the sum of the quotas taken up by the members."

In practice, we will see single person quota companies being set up with a minimum share capital of €1.00, and quota companies with a minimum share capital of €2.00. It should be emphasised that the said amounts need

only be paid into the company at the end of its first financial year and an obligation is imposed on members who have taken advantage of this facility to declare, under their own responsibility, at the first annual general meeting after the end of the said period, that they have already made the said payment.

The legislation defines its objectives as being (i) to foster entrepreneurship and make it possible for small companies and young entrepreneurs to go ahead with business projects, ideas that are simple to bring to fruition, without being limited by a mandatory requirement for a high value initial share capital, (ii) in the context of the SIMPLEX system, to press on with the progress towards simplification and the reduction of related costs that burden companies, and (iii) to make company accounts more transparent, as a high share capital does not necessarily lead to the conclusion that a company is in a good financial situation.

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