

# The European Private Company (SPE)

A European private company tailored to small business needs



## Why a European Private Company for SMEs?

Small and medium-sized enterprises, or SMEs, play a major role in the European economy. They represent 99.8% of all European enterprises and create two thirds of all jobs in the EU. However, unlike large companies, few small businesses decide to expand their activities beyond national markets. The costs and problems related to setting up and operating business in a foreign country, such as language barriers, cultural differences, national differences in company law as well as different tax and labour law regimes discourage entrepreneurs from expanding within the EU.

The European company form that already exists, the European Company (SE), is designed for large companies and is too expensive for SMEs. It requires a €120.000 start-up capital and cannot be created from scratch.

## Who can use the European Private Company and what benefits will it bring?

The European Private Company (*Societas Privata Europaea* - SPE) is **a private company with limited liability and a 'European' label**, designed for SMEs. However, it is not limited by size, so larger companies could also use it to organise their cross-border groups more efficiently.

The SPE offers several advantages:

**It can be set up in any EU country according to the same company law rules.** So for instance, instead of setting up a 'GmbH' in Germany, an 'sp. z o.o.' in Poland, a 'SARL' in France an SPE could be created with the same structure in each of these countries. The SPE European label will be easily recognisable in any EU country<sup>1</sup>.

The possibility to use the same company form for all EU countries will mean substantial time and cost savings for entrepreneurs. The potential savings on legal costs for setting up a company could be up to €10.000 and up to €8.000 could be saved on day-to-day operating costs annually.

**It is easy to set up and open to all.** One or more individuals or companies may establish an SPE, even if they have no cross-border activities. Existing companies may also transform into an SPE or merge with another company to become an SPE. Companies wishing to set up an SPE can apply electronically, using the language of the EU country where it wishes to be registered.

**Only 1 € is required as minimum start-up capital.** This low capital requirement gives companies the flexibility to work out how much they will actually need to start up their business.

**Shareholders will have plenty of freedom on how to structure their companies:** To name a few examples: they are free to decide on how to take decisions (by meetings, by telephone or through video conferences); they can decide on whether they want a board or just one director to run the company; they can determine the way the shares of the SPE are transferred. However, several safeguards to protect the interests of creditors and employees are built in by way of mandatory provisions.

**An SPE may be registered in one country and have its headquarters in another.** It may also transfer its registered office to any other EU country, without losing its legal personality.

## When will the SPE become a reality?

The European Commission adopted the proposal on the SPE statute on 25 June 2008. This proposal still needs to be approved by the governments of the EU countries, in close consultation with the European Parliament. The results of these negotiations will decide the final shape and timing of the SPE. The Commission would like to see the SPE statute enter into force by mid-2010.

1) The 27 Countries of the EU are: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom