

TYPES OF COMPANIES

There are several types of business entities that may be established in Serbia.

The most common criterion for selecting a specific business entity is the liability of shareholders.

The most widely incorporated business entity in Serbia is the limited liability company, whereas the joint stock company is less frequently chosen. General partnerships and the limited partnerships are even rarer as compared to joint stock companies.

Limited liability company

Generally, a limited liability company is a company with one or more shareholders having share in the company share capital, whereas the shareholders are not liable for the obligations of the company, except when piercing the corporate veil and other cases by operation of the law. The capital of the limited liability company is divided into shares and each member holds one share in the company share capital, which shares not have to be equal. The shares of a limited liability company do not constitute securities.

The minimum capital required by law for the establishment of a limited liability company is RSD 100 (approx. EUR 10). A shareholder contribution into the capital of the limited liability company may be (i) monetary or (ii) in-kind; in-kind contributions may be made in (i) rights and/or (ii) items.

The corporate structure of the limited liability company is contingent on the choice between the so called "one-tier" and "two-tier" system of corporate governance. If the limited liability company opts for one-tier system, the mandatory corporate bodies are:

- shareholders meeting;
- manager(s) (one or more);

If the limited liability company opts for two-tier system, the mandatory corporate bodies are:

- shareholders meeting;
- supervisory board;
- manager(s) (one or more);

Joint Stock Company

A joint stock company may be established by one or more legal or natural persons known as shareholders.

The main differences between limited liability and joint stock companies

The main differences between limited liability and joint stock companies are as follows:

- The share capital of joint stock companies is divided in shares and each shareholder can have more than one share. The shares of joint stock companies represent securities;
- Minimum share capital of a joint stock company is RSD 3,000,000 (approx. EUR 30,000) ;
- The corporate governance structure of the joint stock company may be also organized in "one-tier" or a "two-tier" system and depending on whether the joint stock company is "public" or "private", it would be required to have additional bodies such as the supervisory board and bodies of internal control. Also, the annual financial reports of public joint stock companies are subject of mandatory audit.
- Joint stock companies are required to comply with the additional requirements imposed by the Capital Markets Act and other capital markets regulations and are supervised by the Securities and Exchange Commission.

Limited Partnership

A limited partnership is established by at least two natural persons, the general partner and the limited partner, with general partner being jointly and severally liable for the obligations of the partnership, while the limited partner bears liability equal to the extent of her/his contribution. There are no minimum capital requirements for this type of entity.

General Partnership

A general partnership is established by at least two or more natural or legal persons, general partners, and all have unlimited liability for the obligations of the partnership. All partners are entitled to manage and represent the entity. There are no minimum capital requirements for this type of entity.

As regards the companies performing activities in banking, finance, as well as in the insurance sector, mandatory legal forms, as well as additional conditions for establishing an entity, are prescribed under separate laws.

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