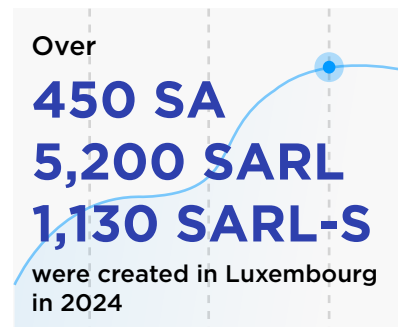


2. LEGAL FORM

Whatever the size and nature of their business, it is crucial for entrepreneurs to choose a **legal form** that suits their activity (sole proprietorship or company).

SOLE PROPRIETORSHIP

Establishing a sole proprietorship (also known as “freelance”) entails setting up a business as a natural person instead of establishing a separate legal entity. It involves more flexibility as well as the least administrative procedures and fees for setting up, but also the highest risk as there is no distinction between the entrepreneur’s private and commercial property.



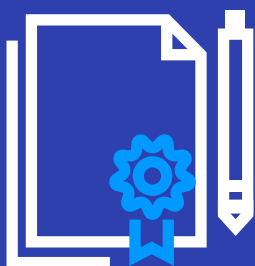
COMPANY

To minimise risk, many entrepreneurs choose to establish a company that clearly separates their personal assets from those of the business. In this case, the partners’ liability is limited to the amount of their contributions. Capital companies also have an impersonal nature and rely chiefly on the capital provided by the partners. The most common forms are the following:

A **Public Limited Company (SA)** is created through the drawing up of a notarised deed. A minimum capital of €30,000 has to be fully subscribed and paid up to 25% (€7,500) at the incorporation. The SA form allows the arrival of new shareholders as well as the access to capital markets.

A **Limited Liability Company (SARL)** also needs to be set up with a notarised deed. A minimum capital of €12,000 has to be fully subscribed and paid at the time of the company constitution. An advantage of the SARL is that initial shareholders are granted a larger control of the ownership of the shares as these cannot be traded freely.

A **Simplified Limited Liability Company (SARL-S)** can only be created by a natural person that holds a business permit from the Ministry of the Economy. The incorporation of the company may be affected by a private deed. A minimum capital of €1 and below €12,000 has to be subscribed and paid up to a 100% at the company creation.



Other company forms exist but are not that frequent. Sole proprietorships and companies have to be registered at the [Luxembourg Business Register](#).