

Feature

Limited liability equals maximum appeal

Businesses operating within the EU can now establish a new, streamlined corporate structure. Should your company embrace this pan-European initiative?



In October 2004, a new type of company was born.

The Societas Europaea (SE), also known as the European plc, or European Company, is the first true pan-European corporation.

SEs: The basics

An SE must be registered in the EU state where it has its headquarters, but can function throughout the EU without having to establish separate structures in each country.

To qualify, companies must operate in two or more EU countries and have share capital of at least 120,000 Euros.

The UK's SE pioneer

The first and – so far – only European plc to register in the UK is Schering-Plough Clinical Trials, SE, a subsidiary of the US pharmaceutical company Schering Plough.

"Setting up this pan-European company has enabled us to better comply with EU law on clinical trials," says Gail Thornton, Schering Plough's Vice President for Communications with responsibility for Europe.

"We don't expect the company to have any employees. It's essentially a really useful legal entity for operating in Europe."

Is SE governance too complex?

The main problem with SEs, say critics, is that they're governed by both EU and member states' national law.

While EU law applies to their formation and some aspects of their running, other crucial areas, such as tax, accounting and pensions, are determined by the local laws in the countries of registration.

"Company administration is likely to be complex," says company law specialist Richard Oliphant of solicitors CMS Cameron McKenna.

Do SES provide tax advantages?

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Business Support



Jeanette Rosenberg
Team Leader

UK Trade & Investment,
London

"Well the UK is definitely really diverse for such a small country, and helping people find the right place to set up their business is really satisfying."

Call or email me:
+44 (0)20 7215 4749
jeanette.rosenberg@uktradeinvest.gov.uk

UK Trade & Investment

General Enquiries

Call or email:
+44 (0) 207 215 8000
enquiries@uktradeinvest.gov.uk

CEO Insight

[William Pedder](#) explains why businesses choose the UK as their global growth base and a company we worked with explains how they developed their competitive edge.

How to incorporate a company in the UK

If you want to form a company here you'll find this presentation from Companies House provides useful information on the quick process and your responsibilities.

To view the presentation [click here](#).

“When the idea of the European Company was first conceived in the early seventies, it was assumed they would be a key component of the European single market.

“But it was probably also assumed there would be EU harmonisation of tax and other regulations.’

As the SE’s European legal framework does not currently include tax incentives, standard UK tax rates will apply.

The limited company remains favourite

By the time the tax rules for cross-border mergers were finalised in the latest Finance Act, Schering-Plough Clinical Trials, SE, remained the only European plc to have registered in the UK.

If the SE sceptics are right, the limited liability company will remain the most popular form for foreign businesses operating in the UK.

Low-cost and low-risk

One of the chief advantages of a UK limited company is that it can be set up with as little as £1 in share capital.

“As long as the directors haven’t given personal guarantees to lenders, their personal assets are safe from creditors, which is a huge advantage for smaller-scale entrepreneurs,” says Oliphant.

Minimal bureaucracy

The relative harmonisation of EU corporate law compared to taxation, means many aspects of running a limited company are familiar to EU firms.

At the same time, limited companies are not subject to the complex EU rules on employee consultation and involvement which apply to SEs.

Quick and easy set-up

Company formation specialists can create a limited company in just a few hours, with many charging less than £100.

Some of these specialists have international partnerships, which allow inward investor firms to incorporate UK companies from their home country.

The German experience

German outfit, Limited 24, for example, incorporates limited companies for German clients via a UK partner.

“Most of my clients remain based in Germany, but choose to become a UK limited because there’s so much less risk than the German equivalent,” says Limited 24’s founder, Jochen Hüls.

€25,000 or £1?

Setting up a German limited company, known as a GmbH, requires a minimum share capital of 25,000 Euros and can take months to register.

“Clients are amazed that we can incorporate a UK company for just a few hundred Euros in only a few hours,” says Hüls.

“They really appreciate the flexibility of the system and the lack of personal risk.”

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