

THE INTRODUCTION OF A SIMPLIFIED LIMITED LIABILITY COMPANY IN THE MACEDONIAN LEGISLATION – A VALID ATTEMPT FOR FOSTERING ENTREPRENEURSHIP OR JUST ANOTHER INSIGNIFICANT REASON FOR THE AMENDMENT OF THE COMPANY LAW ACT?

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ABSTRACT

In the past decade, there has been an ongoing trend, primarily among the EU member states, to decrease the legally required minimum capital for the establishment of limited liability companies. This was the effect of the introduction of the “1 GBP company” in the UK which resulted in the outflow of companies from other member states. Shareholders decided to set up companies in the UK instead of their home jurisdictions to take advantage of the lesser capital requirements. This was also possible due to the principle of freedom of establishment within the EU. However, with Brexit in full force, it remains to be seen whether some member states would reiterate from this practice.

In the Republic of North Macedonia, the initiative for such amendment of the Company law act by the Government was launched in 2020. In September 2021 the proposal was finally adopted, resulting in the introduction of a new variant of the limited liability company – the so-called “simplified limited liability company” – a limited liability company with a minimum paid-in capital of 1 EUR. From its adoption in 2004 to this date, the Company law act has been amended more than 30 times, making it one of the most often changed legislative texts. A number of these amendments were controversial and even resulted in initiatives in front of the constitutional court for their abolishment.

The paper aims to analyze the effect of the introduction of the simplified limited liability company in Macedonian legislation from a legal point of view. The analysis is focused primarily on the necessity, legal status, and effect of these forms of companies in comparison to the other forms of trade companies provided within the Macedonian Company law act. The analysis is conducted primarily through the use of the normative and comparative approach.

Keywords: *simplified limited liability company; limited liability company; Macedonian Company law act; minimum paid-in capital; 1 EUR company.*

JEL classification: *K20; K22; K29*

1. INTRODUCTION

The aim of the paper is to analyze the latest amendments within the Macedonian legislation which led to the introduction of the simplified limited liability company. The analysis is conducted through the utilization of the positive and normative approach. The recent amendments are also analyzed through the use of the comparative method by examining the existence, legal status and requirements for similar forms of companies in other jurisdictions within the EU. Finally, the conclusions and predictions which are made in this paper are on the basis of meta – analysis from the existing available data.

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The creation of the company as a separate legal entity for the purpose of conducting larger business undertakings has been one of the major catalysts in history, propelling tremendous changes in society - from the discovery of new lands and goods to the development of new technology, exploration, and exploitation of new resources to enabling individuals to accumulate immense wealth. Today, the company is widely accepted as the primary method for conducting commercial and business activities throughout the world, regardless of a country's social, economic, and political order. While there are modalities in the way companies are established or how they conduct their business activities, in principle all existing legal systems accept and recognize and grant companies the status of legal entities, separating them from their members.

In the Republic of North Macedonia, the status of companies is regulated in the Company law act (*Закон за трговски друштва*, hereafter CLA). The latest version of the act was adopted in 2004. Unlike many other countries which regulate various types of companies and partnerships throughout various and separate legal acts, North Macedonia adopts a unified approach to regulating all forms of entities that can conduct commercial activities in a single act. The CLA recognizes 5 forms of companies – general partnership (hereafter GP), limited partnership (hereafter LP), limited liability company (hereafter LLC), stock corporation (hereafter SC), and limited partnership by shares (hereafter LPS) (CLA, Article 20). Aside from these forms, the CLA recognizes additional modalities within some of the forms such as stock company by a single member (CLA, Article 416), single member limited liability company (CLA, Article 243), and with the most recent amendments – simplified limited liability company (CLA, Article 172 - a).

It is important to point out a particularity within the Macedonian legislation related to the forms and status of the companies. In general, and throughout various legal systems, it is recognized that commercial activities can be conducted either through partnerships or through companies. The main difference between a partnership and a company is the legal status – only companies have the capacities of a legal person, whereas partnerships are not considered separate legal entities from the business owners (partners). This means that, unlike companies, in partnerships, there is no separation between the owners and the business itself. Consequently, and by default, partnerships cannot be companies. However, the Macedonian CLA makes no such distinction, and grants partnerships the same legal status as companies. Firstly, it recognizes partnerships as types of companies (CLA, Article 20), and secondly, it gives all companies the status of “*legal person wherein one or more persons invest cash, contributions in kind and/or rights in assets*” (CLA, Article 19).

While the country faced changes in the social, economic, and political order, and the transition from socialism to capitalism required the introduction of private companies which would compete in the market, from today's perspective it is questionable whether the wide variety of forms leads to fostering entrepreneurship or to overregulation and complication. To this day, the CLA has been amended 33 times. The constitutionality of its provisions has been successfully challenged in front of the Constitutional court 6 times (Dejure. mk, 2022). This makes the CLA one of the most often amended legal acts, with changes of 41% in its provisions (Dejure.mk, 2022.).

The last two of these amendments were conducted to promote entrepreneurship through a decrease in the capital requirements and through enabling easier access to finances:

- The amendment in 2021 introduced the simplified limited liability company as a company with minimal paid-in capital of only 1 EUR.

- The last amendment in 2022, introduced the possibility of converting a loan into a share in limited liability companies.

While these amendments of the CLA were undertaken with the same goal, and both deserve due attention and analysis, in this paper, we only focus on the introduction of the simplified limited liability company (hereafter SLLC).

To analyze this change in the national legislation, and to give context to this decision of the national lawmakers, we first have to examine the existence, importance, and historical developments of the LLC in the broader context, primarily within the EU legislation, and selected national jurisdictions of member states of the EU. While the LLC is recognized in many countries throughout the world, we analyze the EU for the following reasons:

- The debate for the minimum paid-in capital for the establishment of an LLC was primarily kickstarted in the EU which prompted many changes in the national legislation of its member states;
- The occurrences in the EU are of importance for North Macedonia since the country is aspiring to become a member state within the near future; and
- The modality for a decrease in the paid-in capital adopted in the national legislation originates from Germany (which is an EU member state).

2. THE LLC IN THE EUROPEAN CONTEXT

As already indicated in the text, the majority of countries in the world recognize and adopt a form of a company with limited liability. While there are some variations in the naming, and the denominating throughout various legislations, the characteristics of the LLC are identical. The purpose of the LLC is to accumulate the advantages of the partnership (*i.e.*, close and personal relationship between its members, lower level of transparency, lower amount of minimum paid-in capital required in comparison to stock corporations) and the advantages of the stock corporation (*i.e.*, a separation between the business and its owners, shielding the owner's capital from the company's liabilities). While primarily it was intended for smaller business operations, today it is recognized as a type of company suitable for most businesses regardless of scale, capital, or sector.

According to statistical data, there are around 24 million companies in the EU, of which approximately 80% are limited liability companies (Europarl.europa.eu. 2022). Of this 80% of limited liability companies, 98-99% are small and medium-sized enterprises (SMEs) (Europarl.europa.eu. 2022). The European Commission is continuously indicating that SMEs are the backbone of the EU's economy (European Commission, 2020). Consequently, it becomes important that member states, among other factors which promote entrepreneurship, also provide a favorable legal environment concerning the LLC.

While the *EU acquis* harmonizes 35 chapters (including company law in chapter 8), the level of harmonization varies from one chapter to another. Although there are continuous efforts toward harmonization of company law, to this date there is no codified European company law. While some minimum standards have been placed, many aspects remain within the exclusive domain of the national jurisdiction of member states. In line with this, member states continue to operate separate company acts which regulate the types of companies and the requirements for their establishment. One exception is the European Company (*Societas Europaea* - S.E.) which can be set up within the territory of the EU and in a way that allows easier transfer to or merging with companies in other member states (Council Regulation (EC) No 2157/2001. 2001).

In 2017 the Directive (EU) 2017/1132 relating to certain aspects of company law was adopted which partially codified some aspects of European company law. However, while the Directive sets some minimum standards concerning limited liability companies, minimum standards concerning paid-in capital are set only for public limited liability companies (*i.e.*, stock companies, or stock corporations).

Regardless, the turning point within the EU concerning the minimum required paid-in capital for limited liability companies (or private limited liability companies, as often referred to throughout various legislative texts) was the adoption of the UK Company Act in 2006. Article 542 of the act provides that a share in a limited company must have a fixed nominal value (UK Company Act, Article 542(1)), which effectively enabled private limited liability companies (Ltd.) to be registered with a paid-in capital of only 1 GBP.

Additionally, the well-recognized and adopted principle of freedom of establishment incorporated in the Treaty on the Functioning of the European Union (TFEU, Articles 49 to 55) allows companies to be registered in any of the member states. In addition, this right is granted not only to EU nationals, but also to companies formed in accordance with the legislation of a member state and having their registered office, central administration, or principal place of business within the EU (European Commission, n.d.) In light of this principle, it is not prohibited for a company to be formally registered in accordance with the law of one member state (even though it does not conduct any business there), but to conduct its business through the establishment of a branch in another member state. This principle has been acknowledged, adopted, and broadly interpreted by the CJEU in several cases (*Centros Ltd*, 1999; *Überseering BV*, 2002; *Kamer van Koophandel en Fabrieken voor Amsterdam*, 2003).

The principle of the freedom of establishment, coupled with the minimal requirements of paid-in capital of 1 GBP for the establishment of an LLC, created a situation in which many businesses decided either to move their seat to the UK, or register completely new companies to take advantage of the minimum requirements for paid-in capital, and subsequently open branches in their home jurisdictions through which they would conduct the complete business operation, thereby effectively avoiding stricter regulations. This led to an outflow of many companies from Germany, Belgium, France, the Netherlands, and others, to the UK.

To prevent the outflow many countries undertook measures within their national legislation. Some countries decided to follow the UK's example and started decreasing or completely abolishing the minimum amount of paid-in capital required for the establishment of an LLC:

- In 2003, France decreased the capital requirement for LLC (*Société à responsabilité limitée*, S.à.r.l.) from 7,500 EUR to 1 EUR (Dlapiperrealworld.com. 2022).
- In 2009, Bulgaria decreased the minimum share capital of a limited liability company (*Дружество с ограничена отговорност*, ООД) from 5,000 BGN (2,500 EUR) to 2 BGN (1 EUR) (Bulgarian Commercial Act, Article 117).
- In 2012, the Netherlands decreased the capital requirement for LLC (*Besloten Vennootschap*, B.V.) from 18,000 EUR to 0,01 EUR (Lawyers Netherlands. n.d.).
- In 2019, Belgium completely abolished the capital requirement for LLC (S.à.r.l./B.V.) which in the past was 18,550 EUR and 12,400 EUR for an LLC with a single shareholder (Company law code. n.d.).

Other countries took a different route and decided not to decrease the required capital, but rather to introduce a new form of “simplified LLC”, existing alongside the traditional LLC.

- In 2008, Germany amended the Act on Limited Liability Companies and introduced a so-called “Entrepreneurial company” (*Unternehmergesellschaft*) which can be established

with a minimum of paid-in capital of 1 EUR, and which must bear the abbreviation “UG” (German Limited Liability Companies Act, Section 5a). Germany chose the path of creating a modality which coexists alongside the LLC (*Gesellschaft mit beschränkter Haftung*, GmbH). The minimum of paid-in capital for the LLC is 25,000 EUR (German Limited Liability Companies Act, Section 5(1)). The UG is not a separate form of a company but is merely designed as a transitory form that over time should become a GmbH. To achieve this, every year, 25% of its profits must be deposited into revenue reserves, and as soon as the revenue reserves, along with the original share capital reach the amount of 25,000EUR, the UG can be converted into a GmbH. If, however, the UG is not converted into a GmbH, the UG must continue to deposit 25% of its profits into revenue reserves every year, and these revenue reserves would not be able to be distributed as profits (Allwira-Angel. n.d.).

- Austria, which has a close legal tradition with Germany follows a similar approach, albeit, with some differences. Before 2013, an LLC (*Gesellschaft mit beschränkter Haftung*, GmbH) could have only been established with a capital of no less than 35,000 EUR. In July 2013, the capital requirements were reduced to 10,000 EUR. However, as of March 2014, Austria introduced another amendment to the company law which reverted the capital requirements for an LLC to 35,000 EUR but also introduced another form of privileged LLC (*Privilegierte Stammeinlage*) which has capital requirements of 10.000 EUR. The privilege is limited to 10 years in which the shareholders would effectively have to raise the capital to 35.000 EUR (Roadmap15.schoenherr. n.d.)
- Finally, Croatia, which also follows the German legal tradition, adopted a similar approach in its national legislation. Under Croatian law, the minimum required capital for an LLC (*Društvo s Ograničenom Odgovornošću*, DOO) is 20,000 HRK, or 2,500 EUR (Croatian Company Act, Article 389). In 2019, Croatia introduced the simplified LLC (*Jednostavno Društvo s Ograničenom Odgovornošću*), which can be established with a capital of only 10 HRK, or 1.33 EUR (Croatian Company Act, Article 390-a (3)). Similar to Germany, the simplified LLC is a sort of transitory form which should eventually be transformed into a regular limited liability company. Each year, a quarter of the profits should be deposited into revenue reserves, which can only be used to increase capital or to cover losses (Croatian Company Act, Article 390-a (5)). As soon as the simplified LLC reaches the minimum capital requirement of 20,000 HRK, it receives the status of an LLC.

While because of Brexit companies that are registered under UK law would no longer benefit from the principles established within the EU legislation, as evident, the trend for a decrease in the minimum amount of capital continued to spread throughout many countries.

As evident, in principle, there are two modalities through which countries have introduced the possibility of lower capital requirements. The first is where countries simply decide to lower the capital requirements for an LLC to an insignificant amount such as 1 EUR or less, or simply abolish them altogether. The second is where countries retain the capital requirements of the LLC, but also decide to introduce a so-called “simplified LLC” where the conditions for the establishment of the company, including the capital requirements, are significantly eased. In these instances, the capital requirements are also lowered to 1 EUR or less. The latter approach has also been adopted in North Macedonia with the latest amendments in the CLA.

3. THE LLC IN THE REPUBLIC OF NORTH MACEDONIA

The LLC is one of the five types of companies recognized in the Macedonian CLA, which can also be established by a single member (CLA, Article 423). Regardless of the number of shareholders, there are no significant distinctions in the legal requirements. However, the maximum number of shareholders is limited to 50 (CLA, Article 167(2)). The minimum capital requirement for LLC is 5,000 EUR (CLA, Article 172(2)), irrespective of the number of shareholders. The LLC was introduced with the country's first Company law act from 1996. The capital requirement under the CLA from 1996 is similar to the CLA from 2004. The only difference is that the CLA from 1996 sets the minimum requirement to 10,000 DEM (CLA from 1996, Article 112(3)) since the EUR did not have the prominence, it has today. Regardless, the common understanding when the Euro was introduced was that 1 EUR = 2 DEM, and consequently it can be deduced that at a nominal value the capital requirements remain the same today.

The LLC is the most popular type of company in the country. Statistical data from the statistical portal of the Central Registry point out that within the last 6 years, the vast majority of registered companies are either limited liability companies (LLCs) or single-member LLCs (SMLLC).

Table 1: Total number of registered companies in the Central registry by type from 2015-2022

Year	General partnerships	Limited partnerships	Limited partnerships by shares	Limited liability company	Single member LLC	Stock corporation	Total
2015	850	7	1	15,868	78,182	680	95,588
2016	496	7	1	11,917	60,657	640	73,718
2017	470	7	1	11,345	57,707	628	70,158
2018	439	8	1	11,369	57,729	612	70,158
2019	408	8	1	11,485	57,705	604	70,211
2020	380	8	1	11,732	58,179	582	70,882
2021	354	9	1	12,198	59,122	568	72,252

(Source: Crm.com.mk)

From the table, it is evident that there are almost no registered limited partnerships and partnerships limited by shares, and there is an insignificant number of general partnerships and stock corporations when compared to LLCs and single-member LLCs. Additionally, there is a constant decrease in the number of general partnerships and stock corporations from 2015 onwards. At the same time, there is a constant increase in the number of LLCs and SMLLCs from 2017 onwards – totaling 71,320 out of 72,252 registered companies in 2021.

If we take into consideration the fact that not an insignificant number of companies are registered as stock corporations due to legal requirements (for example banks and insurance companies), and that an even larger number of companies are registered as stock corporations due to the method for privatization of the state-owned companies under the previous system, the significance of the number of LLC and SMLLC becomes even more considerable.

Table 2: Percentage of registered companies in the Central registry from 2015-2022

Year	General partnerships	Limited partnerships	Limited partnerships by shares	Limited liability company	Single member LLC	Stock corporation	Total
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2015	0.89%	0.01%	0.00%	16.60%	81.79%	0.71%	95588
2016	0.67%	0.01%	0.00%	16.17%	82.28%	0.87%	73718
2017	0.67%	0.01%	0.00%	16.17%	82.25%	0.90%	70158
2018	0.63%	0.01%	0.00%	16.20%	82.28%	0.87%	70158
2019	0.58%	0.01%	0.00%	16.36%	82.19%	0.86%	70211
2020	0.54%	0.01%	0.00%	16.55%	82.08%	0.82%	70882
2021	0.49%	0.01%	0.00%	16.88%	81.83%	0.79%	72252
Average	0.64%	0.01%	0.00%	16.42%	82.10%	0.83%	100%

(Source: *Crm.com.mk*)

In percentages, it becomes even more obvious that the LLC and the SMLLC are the most dominant types of companies on the market. On average, in the last 7 years, they account for 98.6% of all registered companies in the Central Registry, while all other forms are below the threshold of 1%.

From this, it can be easily deduced that the LLC is considered the do-it-all form of company in the country. This is further confirmed by the last reports on the most profitable companies in the country. Of the first 20 most profitable companies for 2021, 3 are registered as LLCs, and 6 are registered as SMLLCs (*Pari.com.mk. 2022*). Two of the top 3 most profitable companies are SMLLC. In 2020, these numbers were even higher – from the first 20 most profitable companies in the country, 4 were registered as LLC and 7 as SMLLC (*Pari.com.mk. 2021*).

While all companies which are registered as LLC and SMLLC must have a minimum capital of 5,000 EUR, it is undisputed that many have significantly more, and have chosen this form over stock corporations not because of capital requirements, but primarily due to larger flexibility and lesser transparency requirements. These features are particularly attractive to foreign investors.

Despite the prominence of the LLC, in 2020, the Government launched the initiative for amendment of the Company law act. The Government’s proposal for this amendment of the CLA was with the aim of “supporting domestic enterprises.” (*Government of the Republic of North Macedonia. 2022*) Similar initiatives were also supported by other national institutions, such as the National Start-up Council which listed the need for a simplified LLC as a necessary measure for the promotion of entrepreneurship (*National Start-up Council. 2021*).

In September 2021 the proposal was finally adopted, resulting in the introduction of the “simplified limited liability company.” The newly introduced modality of the LLC can be established with a minimum paid-in capital of 1 EUR (CLA, Article 172-a(1)). However, there are some limitations. Firstly, the maximum number of shareholders is limited to three (CLA, Article 170(2)). Secondly, the company must retain 1/4 of its profits in the capital reserve which cannot be distributed as profit. It can only be used to increase capital, and for covering losses that cannot be covered with the rest of the profits from that year (CLA, Article 172-a(3)).

The amendment in the CLA is a carbon copy of the adopted approach in the Croatian Company Act. Article 172-a of the Macedonian CLA is a verbatim adoption of Article 390-a of the Croatian Company Act. Consequently, we can consider the simplified LLC in North Macedonia also as a transitional form, until the company reaches the threshold of a minimum required capital for transformation into an LLC.

So far, from the latest statistical data available from the Central registry for 2021, from its introduction, there are 9 simplified LLCs registered (*Crm.com.mk. 2022*). Given the fact that the adoption of the amendments occurred late in 2021, it is conceivable that by now this number is

larger, and it will continue to increase in the future. In any case, it remains to be seen in the next couple of years how these changes will affect the structure of the registered companies.

4. CONCLUSION

While on paper, and theoretically, the adopted amendments seem like a logical step that would promote entrepreneurship and support the establishment of domestic companies, there are several major red flags and potential problems with these approaches, both on a global and national level.

On a global level the major concerns are:

- In theory, all countries which decrease the capital requirements do it under the pretext of encouraging and promoting entrepreneurship. In reality, and especially in developing countries, it appears to be more of a race to the bottom for which country will provide the most favorable conditions for the establishment of a company in the process of attracting foreign investments. Many reputable institutions measure the index of the business environments of countries throughout the world. Most notably, under the support of the World Bank, the Doing Business report (which has now been discontinued) was considered the most prominent publication that measures the business climate in the countries. One of the indicators of the report is related to starting a business, which encompasses the procedures, time, cost, and paid-in minimum capital to start a limited liability company within a country (Doingbusiness.org. n.d.) The lesser the requirements and the lesser the minimum paid-in capital for the establishment of an LLC is, the higher the index of that country will be. However, it must be borne in mind that this is just a single aspect of one of the 11 indexes that define the business climate in the country. Consequently, while simply lowering the paid-in capital for the establishment of an LLC is an easy adoption that would enable countries to improve their index, it would not make a real change or attract foreign investment if there is no satisfactory level achieved in the other aspects of the business environment.
- Further, the drastic decrease in the capital requirements or their complete abolishment can potentially create an environment in which so-called “shell companies” thrive. These companies are often used as special purpose vehicles for creating complex company structures to shield from liability, protect assets, and in some instances avoid legal obligations (tax evasion and money laundering). Countries with weak institutional control or lack effective and efficient control are especially susceptible to these occurrences.
- Additionally, while today the function of the minimum capital for the protection of creditors becomes less relevant, very often minimum capital requirements are used to compel the founders of the company to truly evaluate the viability of their idea when deciding whether to go forward. It’s a test of the seriousness of the business idea, and it indicates whether it is even ripe to pass the first threshold – formal registration of a company. Abolishment or complete decrease in the capital requirements opens the possibility for registration of unviable businesses which would only be a burden on the system.
- Finally, in countries that have introduced a simplified modality of an LLC, it is important to evaluate whether it makes sense to conduct all institutional and legislative changes to accommodate another type of company concerning the already existing form of an LLC. While its introduction might make sense in jurisdictions in which the costs for setting up an LLC (including the capital requirements) are significantly high, it makes less sense to

do so in jurisdictions in which the initial capital requirements are lower. For example, in Croatia, an LLC can be established with 20,000 HRK, which is roughly 2,500 EUR. It is undisputed that 10 HRK, which is the capital required for a simplified LLC is much lower. However, it can be argued that in fact, 2,500 EUR is also not a significant amount for starting a business, regardless of its scale. For example, the average pay in Croatia in May 2022 was recorded at 7,690 HRK (Take-Profit.org. 2022), which is slightly above 1,000 EUR. If we take into consideration firstly, that very often only a percentage of the amount has to be deposited at the moment of registration, while the rest can be paid in up to a year or more, and secondly, that not every contribution has to be in cash, the gap between LLC and the simplified LLC closes even further. On top of that, if the simplified LLC is only envisaged as a transitory form and over time it has fulfilled the capital requirements of an LLC, this move makes even less sense.

On a national level, in addition to the concerns on the global level, the biggest considerations are:

- Firstly, as already noted at the beginning, the CLA grants the status of legal persons both to companies and partnerships, thereby removing the largest difference which exists between these forms of enterprises. This lack of distinction which exists within the national legislation, to some extent hinders the introduction of the modalities of some of the forms of companies or renders some of the already existing forms pointless. While under the CPA general partnership is granted the status of a legal person, still each partner shall be jointly and severally liable to the creditors for the obligations of the general partnership (CPA, Article 137(1)). The general partnership, however, does not have capital requirements. As already noted, the LLC has capital requirements of 5,000 EUR, but its members do not bear responsibilities towards the creditors of the company for its obligations. In essence, the tradeoff between an LLC and a GP is 5,000 EUR in capital for shielding liability. However, with the introduction of a simplified LLC, members are effectively shielded from liability, and still only pay 1 EUR as capital in the company, thereby effectively receiving the benefits of both forms of company. In essence, this renders the form of general partnership obsolete.
- Furthermore, the difference between 5,000 EUR and 1 EUR for starting a business is not significant to impede a viable idea. While at face value there is a significant difference between the sums, in the objective terms of commencing a business activity the difference between one and the other becomes smaller. As already noted, the capital requirement of 5,000 EUR was introduced with the CLA from 1996 (then 10,000 DEM). Throughout the years, and through all company law amendments in the country, the nominal value for establishing an LLC remained unchanged. It is undisputed that the value of 5,000 EUR in 1996 was much more than it is today. A simple calculation, only taking into consideration inflation, shows that 5,000 EUR in 1996, is worth 8,269 EUR today (Inflationtool.com. 2022). Consequently, the nominal value of the capital requirements remained the same for almost 30 years, whereas the real value decreased by over 60%. In addition, contribution in the capital need not be only in cash, but can also be in kind, excluding only labor and services (CLA, Article 174). Finally, there is no obligation to members to contribute immediately at the moment of the registration of the company. The contribution payment is according to the articles of association, but in any case, not later than a year from the date of publication of the founding of the company (CLA, Article 174(5)). Consequently, and bearing in mind that any business, regardless

of size and scale needs initial capital to start operations, the legislative amendments should not make a significant difference in the commencement of commercial activity.

- Finally, the LLC and the single member LLC are already established as the most often used forms of company in the country. The fact that more than 98% of the companies are registered in these two forms indicates that they are by far the most preferred methods by market participants. Should the simplified LLC be considered an improvement? That seems unlikely, especially since it is envisaged as a transitional form of company that over time should become an LLC.

Currently, it is too early to measure the effects that the introduction of the simplified LLC will have on the structure of companies, nevertheless, some predictions can be made. Firstly, it is conceivable that the introduction of a simplified limited LLC would lead to a further decrease in the number of general partnerships, and probably even at a faster rate. Since the simplified LLC offers the advantages of the general partnership, with the limitation of the member's liability, people will likely favor it over the general partnership.

Secondly, it should be expected that the total number of companies registered in the Central Registry would also increase. However, this increase can be for better or for worse. The introduction of the simplified LLC was to promote entrepreneurship and start-up culture. So, if this goal is to be achieved, the total number of registered simplified LLCs, and by extent, the total number of companies should increase. New innovative start-up companies should appear on the market, making a positive shift in the economy. On the other hand, the total increase in the number of companies may be the result of the establishment of shell companies, used for illicit activities.

Finally, this policy can be considered successfully implemented if in the long term the numbers of LLCs, SMLLCs, and even stock corporations increase in the future, while the number of simplified LLCs remains constant, or even decreases. This would mean that simplified LLCs after the initial years of operation, take off successfully, and transform into another corporate form. On the contrary, if the number of LLCs, SMLLCs, or stock corporations stagnates or even decreases in long term, while the number of simplified LLCs increases it would show that the newly established simplified LLCs are struggling and are unable to meet the capital requirements and to transform into another corporate form. Alternatively, and in another bad case scenario, it could also mean that due to the easier requirements many simplified LLCs are registered but they remain inactive. In the past, the country was already struggling with inactive companies, and in 2014 adopted an unpopular solution of striking them off from the central registry without a procedure for their liquidation or insolvency proceedings. This solution has been widely criticized (Gelev. n.d.) and was finally abolished in 2021, in the same package for the amendment of the CLA, along with the introduction of the simplified LLC.

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