



The Two Most Common Forms of Business Organisations in Bulgaria

First Quarter 2011

Bulgarian legislation regulates two principal forms of business organisations:

- Commercial corporations;
- Co-operatives.

The corporate forms vary in their form of legal organisation and in the manner of apportionment of liability. The Commerce Act (Companies Law) of Bulgaria makes exhaustive provisions for the following types of commercial corporations (legal entities):

- General partnership (SD);
- Limited partnership (KD);
- Limited liability company (OOD)
- Single-member limited liability company (EOOD);
- Joint-stock company (AD);
- Single-member joint stock company (EAD)
- Partnership limited by shares (KDA).

Other forms of business organisations according to Bulgarian law are:

- Sole trader (ET);
- Wholly owned subsidiary;
- Trade representation office;
- Co-operative.

Limited liability companies and joint-stock companies are the most commonly used forms in practice. Their members or shareholders respectively incur limited liability for the obligations of the company.

Limited liability company (OOD)

A limited liability company may be formed by one or more individuals or legal entities. When the capital is owned by a single person, a single-member limited liability company (EOOD) is formed. The capital of the company may not be less than BGN 2 (the equivalent of EUR1). The interests held by the members may vary in size. Members are liable for the obligations of the company to

third parties with the amount of the participating interest they hold in the corporate capital. Corporate interests are freely transferable between members, whereas the transfer of such interests to non-members requires a qualified majority of three-quarters in the nominal value of the capital. Unlike a joint-stock company, the capital of a limited liability company is not divided into shares. A limited liability company does not have a collective management body (Board of Directors or Management Board). It is managed either single-handedly or jointly by one or more of the managing directors.

Joint-stock company (AD)

A joint-stock company is a corporation in which the capital is divided into shares. Shareholders liability for the obligations of the company is limited to the participating interest in the capital. Even though the structure and organisation of the joint-stock company are regulated in the Commerce Act, promoters are nonetheless free to agree on such clauses in the articles of association of the company as they think best suit their specific needs. A joint-stock company may be incorporated by one or more individuals or legal entities, and in case the capital is owned by a single person, a single-shareholder joint-stock company (EAD) is formed. The minimum amount of capital of a joint-stock company is BGN 50,000 (EUR 25,000), and the minimum nominal value of a share is BGN 1. In case a larger nominal value of shares is opted for, it must be defined in terms of whole numbers.

The capital of a joint-stock company must be divided into shares of identical nominal value. The shares can be traded on the stock exchange if listed. Either registered shares or bearer shares may be issued. Preferred shares may be also be issued. Registered shares are transferable by means of endorsement and the transfer must be entered into the Register of Shareholders in order to be valid with respect to the company. Bearer shares are transferable by means of delivery to the transferee. The articles of association may also lay down other conditions for the transfer of shares.

A brief comparison between a Bulgarian limited liability and a joint stock company is provided in the following table.

	Limited Liability Company	Joint Stock Company
Statutory capital	Minimum BGN 2 (€1)	Minimum BGN 50,000 (€25,000)
Number of shareholders	Minimum 1	Minimum 1
Types of shares / stakes	Registered stakes	Registered shares or Bearer's shares
Independent audit of annual accounts	Not needed (some exception apply)	Obligatory
Company bodies	i) General Meeting Of Stakeholders and ii) Manger(s). Minimum one Manager	i) General Meeting Of Shareholders and ii) Board Of Directors (minimum 3 Directors)
		i) General Meeting Of Shareholders, ii) Supervisory Board (minimum 3 members) and iii) Management Board (minimum 3 directors)