

COMPARATIVE STUDY ON THE PROCEDURES AND COSTS OF SETTING UP A LIMITED LIABILITY COMPANY IN THE EU

SABĂU CRĂCIUN

craciun.sabau@gmail.com

NAGY CRISTINA MIHAELA

cristinanagy2009@yahoo.com

”TIBISCUS” UNIVERSITY OF TIMIȘOARA, FACULTY OF ECONOMIC SCIENCE

***Abstract:** The present paper analyzes the procedures and costs for starting a business at EU level. In 2013 most procedures performed when a company is registered are achieved in Malta (11 procedures), Romania is situated middle ranking (5 procedures). The number of days in which a company can be registered varies from 40 days in Malta up to 4 days in Belgium, and in Romania is 8,5 days. The share of the cost for starting a business per capital in EU decreased for the EU member states, except Malta and Hungary. Some EU states do not impose any more the minimum capital requirement (Bulgaria, Cyprus, Germany, France, Ireland, Latvia, Portugal and England), and in other states, companies are conditioned by the deposit of relatively high startup initial capital (Austria with 47.8%, Slovenia 44.1%), in Romania is 0.7%.*

***Key words:** starting a business, minimum capital, cost for starting a business*

***JED Classification:** M41*

INTRODUCTION

The Romanian legislation contains minimum capital thresholds specific for certain businesses, different from those for commercial companies, such as banks (Haranguș, D. 2012, pp. 101-104) insurance-reinsurance companies and other financial institutions, just as there are in any legislation of an EU state.

In this article we intend to perform an analysis of the procedures and costs for starting a business in the European Union, analyzing the number of companies with limited liability established in the Community territory, number of start-up procedures for starting a business, the time required to start a business, cost share for starting a business and the share of minimum capital from the income per capital necessary to start a business.

MATERIAL AND METHODS

In this article we used the comparison method by studying the evolution in time of some indicators of the 27 EU countries. We have also made some comparisons between different EU countries regarding the level of these indicators.

In order to make some comparisons on the establishment costs for starting a business in the European Union we performed a study of the years 2010-2013.

RESULTS AND DISCUSSION

The first indicator analyzed in this paper is **the number of start-up procedures at EU level required at the establishment of a company**. Start-up procedures to register a business (number). Start-up procedures are those required to start a business, including interactions to obtain necessary permits and licenses and to complete all inscriptions, verifications, and notifications to start operations.

Table 1 presents the evolution of the number of start-up procedures at EU level required to start a business.

Table no. 1.

Evolution of the number of start-up procedures at EU level for establishing a company

Country/period of analysis	2010	2011	2012	2013
Austria	8	8	8	8
Belgium	3	3	3	3
Bulgaria	4	4	4	4
Cyprus	6	6	6	6
Czech republic	9	9	9	9
Denmark	4	4	4	4
England	6	6	6	6
Estonia	5	5	5	5
Finland	3	3	3	3
France	5	5	5	5
Germany	9	9	9	9
Greece	15	11	11	5
Hungary	4	4	4	4
Ireland	4	4	4	4
Italy	6	6	6	6
Latvia	5	4	4	4
Lithuania	6	6	7	4
Luxemburg	6	6	6	6
Malta	11	11	11	11
Netherlands	6	6	5	4
Poland	6	6	6	4
Portugal	6	5	5	3
România	5	6	6	5
Slovak republic	6	6	6	7
Slovenia	2	2	2	2
Spain	10	10	10	10
Sweden	3	3	3	3

(Source: Data processed according to reports „Doing Business” 2011-2014)

From the analysis of table 1 it is observed that in 2010 most procedures performed at a company's registration are registered in Greece, where 15 procedures were applied, followed by Malta with 11 procedures. Spain is ranked third place, and places 4 and 5 are disputed by Germany and Czech Republic with nine registration procedures.

Romania is situated middle ranking in terms of the number of procedures required for registering a company which shows that contrary to the view, we have high bureaucracy, it is not exaggerated when we analyze our country's position within the European Union.

If we analyze the entire presented period (2010-2013) we can observe that the number of procedures for **starting a business** is different from country to country.

For some countries the number of procedures remained unchanged throughout the period (for example England, Austria), but other countries had major changes. For example Greece has reduced the number of procedures from 15 in 2010 to 11 in 2011, and 5 in 2013, by introducing a simple type of a limited liability company, called

private company which is cheaper to establish. Another positive example is that of Portugal, which reduced by half the number of procedures required for setting up a company (leading to an increase in the number of registered companies by 17%¹).

The fewest procedures necessary to start a business are required in Slovenia (two procedures) followed by the Nordic countries where 3 procedures are applicable.

Romania is placed middle ranked in terms of the number of procedures for registering a company which shows that contrary to the view we have a high bureaucracy, it is not exaggerated when we analyze our country's position within the European Union.

Therefore we can say that at European level is attempted the reduction of the number of procedures without drawing up several formalities to establish a company, because this may increase the number of established companies and thus increase the number of jobs.

A second indicator analyzed is the time required to start a business, presented in table 2.

Table no. 2. *Time required to start a business (days) in EU*

Country/period of analysis	2010	2011	2012	2013
Austria	25	25	25	25
Belgium	4	4	4	4
Bulgaria	18	18	18	18
Cyprus	8	8	8	8
Czech republic	20	20	20	19,5
Denmark	6	6	6	5,5
England	13	13	13	12
Estonia	7	7	7	6,5
Finland	14	14	14	14
France	7	7	7	6,5
Germany	15	15	15	14,5
Greece	19	11	11	14
Hungary	4	4	5	5
Ireland	13	13	10	10
Italy	6	6	6	6
Latvia	16	16	16	12,5
Lithuania	22	22	20	6,5
Luxemburg	19	19	19	18,5
Malta	40	40	40	39,5
Netherlands	8	8	5	4
Poland	32	32	32	30
Portugal	6	5	5	2,5
România	9	14	10	8,5
Slovak republic	18	18	16	18,5
Slovenia	6	6	6	6
Spain	47	28	28	23
Sweden	16	16	16	16

(Source: Data processed according to reports „Doing Business” 2011-2014)

¹ Doing business year 2013, pp. 72

Time required to start a business is the number of calendar days needed to complete the procedures to legally operate a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.

From table no. 2 can be observed that in 2010 the number of days in which a company can be registered ranges from 47 days in Spain up to 4 days in Belgium.

In 2013 it is observed that the countries from the European Union that proceed to a rapid establishment of a company are Portugal (2.5 days), Belgium (4 days), Hungary (5 days), Netherlands (4 days), while countries with the slowest registrations are Malta (39.5 days) and Austria (25 days). A major modification to reduce the time required to start a business was registered in Spain, where in 2010 were necessary 47 days and in 2013 were required only 23 days.

Another positive example is Netherlands which halved the number of days required to register a company from 8 days in 2010, to 4 days in 2013. A major reduction was noticed regarding Greece, which reduced the period allocated to start a business from 19 days in 2010 to 14 days in 2013.

The third indicator analyzed is the share of the cost for starting a business per capita in EU (%).

Table no. 3.

Evolution of the cost of starting a business from the income per capita of EU citizens expressed in U.S. dollars

Country/period of analysis	2010	2011	2012	2013
Austria	5,2	5,2	4,9	4,8
Belgium	5,4	5,2	5,2	5,2
Bulgaria	1,6	1,5	1,1	1
Cyprus	12,6	13,1	12,4	12,3
Czech republic	9,3	8,4	8,2	8,2
Denmark	0	0	0,2	0,2
England	0,7	0,7	0,7	0,3
Estonia	1,9	1,8	1,6	1,5
Finland	1,1	1	1	1,1
France	0,9	0,9	0,9	0,9
Germany	4,8	4,6	4,9	4,7
Greece	20,7	20,1	20,5	4,6
Hungary	8,2	7,6	8,9	8,6
Ireland	0,4	0,4	0,3	0,3
Italy	18,5	18,2	16,5	14,2
Latvia	1,5	2,6	2,3	1,9
Lithuania	2,8	2,8	1,1	0,9
Luxemburg	2,1	1,9	1,9	1,9
Malta	n.a.	n.a.	8,9	10,8
Netherlands	5,7	5,5	5,1	5,2
Poland	17,5	17,3	14,4	14,3
Portugal	6,5	2,3	2,3	2,4
România	2,6	3	2,8	2,4
Slovak republic	1,9	1,8	1,8	1,5
Slovenia	0	0	0	0
Spain	15,1	4,7	4,7	4,7
Sweden	0,6	0,6	0,5	0,5

(Source: Data processed according to reports „Doing Business” 2011-2014)

Where – n. a. – not available (no data available)

This is a relative indicator because it varies depending on the income per capita, which is different depending on the level of development of each European state.

By analyzing table no.3 it is observed that although the study covers the period 2010-2013, the income per capita in the countries of the European Union is maintained approximately constant, the ranking is respected among the states at the beginning of the ranking and the wans from the last places, except Greece, which from the last place with a cost of 20.7% from the income per capita in 2010, reached 15 place in 2013 with a cost of 4.6%, and Spain which from the bottom of the ranking reached the middle of the ranking (from a share of the cost of 15.1% from the income per capita in 2010 to a share of 4.7% in 2013).

From table 3 it is observed that there is a state in the European Union that does not charge any fees for registering a company namely Slovenia.

But although in some countries such as Denmark 0.2%, Ireland 0.3%, Sweden 0.5%, England 0.3% the percentage is reduced, the costs for registering a company are high because these countries have the highest income capita in the European Union.

We can also appreciate that for countries such as Austria 4.8%, Belgium 5.2%, Germany 4.7% and Italy 14.2% the cost for registration is quite high given the fact that the income per capita of those country locator is also high.

By comparing the period 2010-2013 according to table 3 we can observe that the costs for setting up a business have increased in Hungary and Malts, and have decreased for the rest of the European Union states which may be a result of the decrease of the income per capita in the community.

A final indicator that was analyzed refers to the **minimum capital share of the income per capita required for setting up a business in EU.**

This indicator refers to the minimum capital that should be deposited by the owners or shareholders when they set up a new company, namely the minimum capital required by Community laws in force in the member states of the European Union. In table 4 we present the minimum capital share for the period 2010-2013 at European Union level.

We consider the statistical result obtained as being relevant, but we can certainly conclude that some states are conditioned by the deposit of a relatively high initial starting capital, exemplifying Austria 47.8% and Slovenia 44.1% as the income per capita is relatively quite high as a share in the European Union.

Romania is quoted at 0.7% of the income per capita. but by studying the statutory legislation is known that the minimum capital required is 200 lei, consequently the minimum capital of a business is very small.

Another conclusion that emerges from studying table 4 is that there are states in the European Union that no longer require a minimum capital, such as England, Bulgaria, Cyprus, Germany, France, Greece (since 2013), Ireland, Latvia (since 2011), Portugal and Netherlands since 2013.

CONCLUSIONS

A fists conclusion that can be drawn from this study is that the number of start-up procedures for setting up a company does not affect directly the time required to start a business, an example being that of Austria and Germany. In Austria the number of procedures required for setting up a company is 8, and the time required to start a business is 25 days, in Germany are necessary 9 procedures and 14.5 days.

Another conclusion that emerges from this study is that the number of start-up procedures for setting up a company does not influence directly the costs for starting a business, an example being that of England, Italy and Romania. In the case of England for setting up a company are required 6 procedures and the costs are 0.3%; in Italy are

also required 6 procedures but the costs are 14.2%, and in Romania are required 5 procedures, meaning a procedures less that in the case of England, but the costs are higher, respectively 2.4%. Of course, these percentages are not relevant because they are applied to the income per capita, which is very different in Romania compared to England.

Table no. 4. *Evolution of the minimum capital share at European Union level*

Country/period of analysis	2010	2011	2012	2013
Austria	53,1	52	49,1	47,8
Belgium	19,6	18,9	18,2	18,2
Bulgaria	0	0	0	0
Cyprus	0	0	0	0
Czech republic	30,9	30,7	29,7	29,5
Denmark	26	25	24,2	23,9
England	0	0	0	0
Estonia	25,7	24,4	22,1	20,6
Finland	7,9	7,3	7	7
France	0	0	0	0
Germany	0	0	0	0
Greece	22,3	22,8	24,4	0
Hungary	10,2	9,7	9,4	9,4
Ireland	0	0	0	0
Italy	10,1	9,9	9,7	9,8
Latvia	15,9	0	0	0
Lithuania	36,1	35,7	31,3	0
Luxemburg	23,8	21,2	20,9	20,8
Malta	n.a.	n.a.	1,5	1,5
Netherlands	52,4	50,4	49,4	0
Poland	14,7	14	13	12,6
Portugal	34,1	0	0	0
România	0,9	0,8	0,8	0,7
Slovak republic	22,2	20,9	21,3	19,3
Slovenia	45	43,6	43,9	44,1
Spain	13,5	13,2	13,2	13,4
Sweden	14,7	14	13,2	13,1

(Source: Data processed according to reports „*Doing Business*” 2011-2014)

Where – n. a. – not available (no data available)

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