

Documental Requirements for companies

The Corporate Entities Act regulates three types of companies: **Public Limited Companies – PLCs** (Sociedades Anónimas), **Limited Liability Companies – LLCs** (Sociedades Limitadas) and **Joint Stock Companies – JSCs** (Sociedades Comanditarias por Acciones).

LLCs are the most common type formed as the complexity and maintenance costs are lower. An LLC may operate in the market with an independent legal personality and therefore remove any partner liability. The Share Capital, which is the companies guarantee against creditors, must be at least 3000€, fully signed and paid, and does not hold a maximum limit.

PLCs also have an independent legal personality from the partners, but in have a minimum Share Capital of 60,000€, which must have been paid in a quarter by the incorporation time, leaving the remaining payment as debts to the Company Partners (Dividends) with a disbursement deadline of 5 years unless another period is set.

Joint Stock Companies follow the rules of PLCs, but it is mandatory to establish a partner that will respond with all their assets for company debts. This type is not used very frequently in the market and is soon likely to disappear.

Document Requirements

The documents required for both types of companies are very similar and so we shall begin by considering these similarities. Both types of companies will have to carry two different types of Account Records, one being for the Inventory, Financial Statements and Notes, and the second being The Minute Book and The Members Registration Book.

As anticipated LLC must have a “book” in which partners have registered shares; which from an internal share point of view, is the only valid method to identify

the partners of an LLC. For PLCs the situation is much more complex as it is then necessary to differentiate between “shares” that are transmitted through surrender or endorsement thereof, and accounts of all transfers must be noted in The Shareholder Registry.

An audit of annual accounts is necessary in two cases; either when requested by shareholders representing 5% of the capital (following the procedure established by law) or in any case when the company does not comply with the requirements to present abridged annual accounts.

In all cases the documents required are extensive, but are essential for the proper upkeep of the Company, and in case of the company sale, are required in the corresponding process of due diligence. Alongside other things, the accounts will be examined very closely, and therefore the assistance of an accountant with experience in bookkeeping would greatly facilitate the company’s success, eliminating risks associated with creditor actions and increasing the value of the company. It’s common practice to appoint an attorney with experience in this complex matter as a secretary of the board of directors.

In the case of the board of directors, liability is higher as they are charged with the responsibility to keep proper accounts. Liability is applicable for any acts or omissions committed during administration proceedings that cause damage to the company, and it is enforced by either the shareholders or the Stakeholders. If a company is made bankrupt and the proper accounts were not maintained, the directors are subject to personal liability, and as such, it is always recommended that a legal adviser is kept at hand.



Ramón García regularly advises clients on the restructuring of groups with international elements, creating not only the bylaws but also the different shareholder agreements, report drafts and proceeding with due diligence for companies in merger or acquisition scenarios. Ramón is also experienced within the litigation department, assisting with both criminal and civil lawsuits.

Lexland Abogados is able to help advice your business on all legal and fiscal matters, always maintaining your best interests at hand. Contact comunicaciones@lexland.es today for more information. T: +34 952 778899

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