

All countries

What are the two most common types of entity formed by inbound investors and what is the preferred type of company called?

Asia

China

What are the two most common types of entity formed by inbound investors and what is the preferred type of company called? Wholly foreign-owned enterprises (WFOE) and Sino-foreign equity joint venture (EJV). Currently, WFOEs are chosen in more than 80% of cases.

Starting from January 1, 2020, the new Foreign Investment Law abolishes and unifies laws and regulations applicable to foreign-invested companiesenterprises (FIEs), leading to significant legal changes. It is foreseeable that the general investment environment of China will become more business friendly with fewer restrictions in future. But the change of law also brings some legal problems (e.g. existing EJV deals are required to be re-negotiated by following the same corporate governance structure of domestic companies for which a five-year grandfathering period is given).

Hong Kong

Private limited company.

Branch of an overseas company (used much less frequently than a limited company).

Singapore

Foreigners cannot self-register or set up company in Singapore by themselves. A registered filing agent must be engaged to register a private company.

Private limited company (Most common and preferred type)

Has a legal identity distinct from its shareholders and directors

Number of shareholders: 1 - 50

Suffix of the entities are usually "Private Limited" or "Pte Ltd"

Representative Office

A temporary extension of a foreign company to carry out market exploratory activities prior to making large investment commitments in Singapore.

Prohibited from carrying out any commercial or revenue making activities.

Lacks legal identity of its own, so the foreign company is liable for the acts and obligations of the Representative Office.

Compulsory to have an officer from the foreign company's head office to be stationed at the Representative Office.

Branch Office

An extension of a foreign company and lacks legal identity of its own.

Must carry the name of the foreign company and explicitly state that it is a Branch Office.

Can engage in commercial or revenue making activities.

Less common than private limited company.

United Arab Emirates

The preferred type of legal entity for most foreign investors in the UAE is the limited liability company in the mainland or in one of the international tax-free zones (LLC).

A common alternative is establishing a branch office of the foreign company, and some professional service providers can register a so-called 'civil company' in the UAE mainland.

Europe

Austria

An Austrian limited liability company: Gesellschaft mit beschränkter Haftung (GmbH).

Alternatively, but less frequently used, an Austrian branch of the overseas company.

Czech Republic	<p>To manage their Czech operations, foreign companies set up most often a limited liability company (společnost s ručením omezeným/s.r.o.) or a joint-stock company (akciová společnost/a.s.) due to their simple inner organization, minimum contribution requirements and limitation of shareholders' liability.</p> <p>Alternatively, a Czech branch of a foreign company may be established.</p>
England & Wales	<p>Private limited company (Limited).</p> <p>Branch (formally known as a UK Establishment) of the overseas company (Used much less frequently than a Limited company).</p>
France	<p>Simplified joint stock company (Société par Actions Simplifiée or SAS).</p> <p>A limited liability company (Société à Responsabilité Limitée or SARL).</p>
Germany	<p>- Limited liability company (Gesellschaft mit beschränkter Haftung (GmbH)).</p> <p>- Branch of the overseas company (no separate legal entity). Such structure is used less frequently than a GmbH since it usually constitutes a permanent establishment of the overseas company in Germany, for which the overseas company is taxable. Further, any liabilities incurred by activities of the branch are directly attributable to the overseas company.</p>
Hungary	<p>The most common company form among foreign investors is the limited liability company (in Hungarian: 'Korlátolt Felelősségű Társaság', in short: Kft).</p> <p>Establishing a branch office (in Hungarian: 'Fióktelep') is the second most common form of entering the Hungarian market.</p>
Ireland	<p>Private limited company (Limited).</p> <p>Branch (external company) of the overseas company (used much less frequently than a Limited).</p>
Italy	<p>The two most common types of entities formed by inbound investors in Italy are limited liability companies (società a responsabilità limitata – "S.r.l."), and joint stock companies (società per azioni – "S.p.A.).</p> <p>Alternatively, but less frequent than the two types of companies above, the foreign company may establish an Italian branch.</p>
Netherlands	<p>Private limited liability company - Besloten vennootschap met beperkte aansprakelijkheid (B.V.)</p> <p>Branch of the overseas company. Used much less frequently than a Besloten vennootschap met beperkte aansprakelijkheid (B.V.)</p>

Poland	<p>The most preferred type of entity is a limited liability company – spółka z ograniczoną odpowiedzialnością (sp. z o.o.).</p> <p>Also, but less frequently, a joint stock company – spółka akcyjna (S.A.) is chosen.</p> <p>At this point a simple joint stock company (P.S.A.) should also be mentioned - a new type of capital company in Poland for which the provisions came into force on July 1, 2021. P.S.A. introduces new, even revolutionary solutions to the Polish commercial companies' law. The new type of capital company is a combination of elements typical for a limited liability company and a joint stock company, as well as the corporate nature of a capital company with features typical for partnerships. The main and most distinctive features of the P.S.A. are:</p> <ul style="list-style-type: none"> (i) simplicity in its establishment and operation; (ii) Board of Directors - a new body inspired by Anglo-Saxon law solution; (iii) share capital is a combination of human capital, innovation and financial capital; (iv) inexpensive - 1 PLN is enough to establish a P.S.A.; (v) attractive investment formula for modern ventures.
Portugal	<p>Limited liability companies by quotas (sociedades por quotas- Lda.) – Minimum 1 shareholder</p> <p>Limited liability companies by shares/Joint stock companies (sociedades anónimas – S.A.) – Minimum 5 shareholders or 1 shareholder provided such shareholder is a commercial company.</p>
Slovakia	<p>A Slovak simple private limited liability company – spoločnosť s ručením obmedzeným (“s.r.o.”) (LLC) or a Slovak joint-stock company (“akciová spoločnosť”, “a.s.”) (JSC).</p> <p>Used less frequently is a Slovak branch office of a foreign legal entity – organizačná zložka (Branch).</p> <p>Since 2017 – a simple joint-stock company – (“jednoduchá spoločnosť na akcie”, “j.s.a.”) (JSA) - a new type of a company with purely electronic registration of all shares to which different rights may be attached (there is no explicit limit on these rights) and their transfers and with possibility of statutory drag-along, tag-along and shoot-out agreements.</p>
Spain	<p>The two main types of entities in Spain are public limited companies (sociedades anónimas, or “SAs”) or limited liability companies (sociedades limitadas, or “SLs”). The preferred type for inbound investors are the SLs, primarily due to the flexibility of their regulations as opposed to SAs.</p>

South America

Brazil

Limited Liability Company (Ltda.)

Corporation (S.A. - allows financing on the stock market)