



ROMANIA - LONG – AWAITED SIMPLIFICATIONS FOR THE CORPORATE AND BUSINESS ENVIRONMENT

1. Background

After a long and drawn out legislative process commenced in 2017, Law no. 102/2020 amending and supplementing the Companies Law no. 31/1990 (“**Law 102/2020**”) has finally entered into force on July 5, 2020, setting in place major changes to the corporate regulatory framework.

The adoption of Law 102/2020 was a difficult legislative process. Following its adoption by the Chamber of Deputies, at the end of 2019, the President of Romania requested the re-examination of the same. After overcoming this impediment, the Constitutional Court was seized by the Government with a plea of unconstitutionality regarding the same, on multiple unconstitutional grounds. However, the Constitutional Court dismissed the plea of unconstitutionality and Law 102/2020 was promulgated by the President of Romania.

The changes brought by Law 102/2020 are sure to be very welcomed by the business environment, as some of the most restrictive provisions of Companies Law no. 31/1990 have been eliminated, as follows:

- (i) the restriction preventing an entrepreneur from holding the position of sole shareholder in more than one Romanian limited liability company;
- (ii) the restriction preventing the set-up of several registered offices in the same premises;
- (iii) the need to obtain neighbours’ approval for setting up the registered office in residential buildings despite no commercial activities being undertaken therein.

The above-mentioned restrictions made incorporation of Romanian limited liability companies more difficult than expected and generated delays in obtaining all documents required for incorporation before the Romanian Trade Registry.

Therefore, the changes brought by Law 102/2020 detailed below will facilitate the Romanian business environment, contributing to the elimination of obstacles and thus encouraging entrepreneurial initiatives.

2. The status of the sole shareholder

Perhaps the most important change set in place by Law 102/2020 is the elimination of the provision regarding the status of the sole shareholders of a limited liability company. This restriction produced effects on two levels, providing that:

- (i) a natural or legal person can be sole a shareholder in only one limited liability company; and
- (ii) a limited liability company with a sole shareholder cannot have as a sole shareholder another limited liability company, also with a sole shareholder.

Such restrictions, now eliminated by Law 102/2020, were causing difficulties in setting up limited liability companies and also in share transfers. The same restrictions were rather difficult to comprehend by foreign entrepreneurs setting up limited liability companies in Romania, particularly when their own jurisdictions did not provide for such restrictions (which were applicable even in the case of foreign companies with a sole shareholder that wanted to set up subsidiaries in Romania).

Following the repeal of these restrictions, natural and legal persons can now hold the position of sole shareholder in more than one Romanian limited liability company.

In addition, when setting up a limited liability company with a sole shareholder, the same will no longer need to issue an affidavit outlining that he or she holds the position of sole shareholder in a single limited liability company.

3. Multiple registered office at the same location

Another welcomed legislative change is the one enabling several companies to set up their registered offices in the same premises, regardless whether the number of registered offices exceeds the number of individual spaces.

Prior to such amendment, landlords and/or company representatives were required to issue a notarized affidavit confirming that the relevant premises where the registered office was to be set up did not overlap with other registered offices. Based on such statement submitted before the Trade Registry, the competent tax authority issued a certificate confirming that the registered office may be set up in the relevant premises.

Following the amendments brought by Law 102/2020, such formalities will no longer be required.

4. Elimination of neighbours' approval setting up registered offices in residential buildings

Completing the simplifications brought to Companies Law no. 31/1990, Law 102/2020 also eliminates the need to obtain neighbours' approval for setting up a company's registered office in a residential building, when no activity will be carried out by the company in the relevant premises.

The lack of activity of the company shall be certified by an affidavit issued by the director or, as the case may be, the directors of the company.

Approval of the neighbours to set up a company registered office in a residential building is still required when the company will undertake commercial activities in the relevant premises.

This article contains general information and should not be considered as legal advice.



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