

Most common types of Companies/Businesses are:

### **1-Joint Liability Company**

A joint liability company is a type of corporation or partnership involving two or more individuals with the legal capacity to undertake commercial transactions for profit. All partners invest their money, work and skills, or any part thereof, in the company, and share profits and losses according to percentages agreed upon. Partners are jointly and severally liable and their liability is unlimited. The type of entity of a partner in a joint liability company is a primary importance.

A joint liability company has the following features:

- a- Partners are personally liable for the company's debts. Their liability is unlimited. Creditors may attempt to claim the whole debt from any of the partners personally. Partners are severally liable for the company's debts. Partners who settle the company's debts may recover payment from the company. They may also claim from other partners the amount of debt they are responsible for.
- b- A main feature of joint liability companies is the sharing of profits and losses.
- c- Partners in a joint liability company are considered to be merchants by virtue of law. Therefore, partners are those who naturally enjoy the legal capacity to perform business. As a result, bankruptcy of the firm means automatically bankruptcy of the partners who then lose the capacity to perform business due to liquidation of the company.
- d- The company operates under a trade name made up of the partners' names respectively. In the event that all names are not mentioned, the trade name or the mentioned names will be followed by "and his associates" or "and associates".
- e- Partners in a joint liability company are not allowed to give up their shares without prior consent of all partners. Partners are able though to give up their shares to other partners.
- f- The company contract is always written.

### **2-Limited Partnership**

A limited partnership is a form of partnership similarly to a joint liability company. A limited partnership has two classes of partners; the general partners who alone have management control and have unlimited and several liabilities for the debt of the partnership; and the limited partners who offer the money, are only liable to the extent of their registered investment, and do not acquire the status of merchants.

A limited partnership exists under a trade name consisting only of all or part of the names of the general partners. In the case of one general partner only, the expression "and partners" may be added. In the event that limited partners allow for their names to appear, they become liable towards third parties.

All general partners are considered merchants by law. Thus only partners able to carry on commercial activities are allowed to be general partners in limited partnerships. Limited partners cannot have the status of merchants.

Limited partners cannot participate in the management whether directly or indirectly. When such participation occurs, the limited partner becomes a general partner having unlimited personal, joint and several liability, along with the other general partners, for the acts carried out, to the extent of the nature of such acts. Such liability will be limited to the outcome of the activities carried out, or for the entire debts of the partnership.

Are not considered as interference in management control on behalf of limited partners, the following limited partners' activities:

- a- Controlling the manager's activities
- b- Advising the manager
- c- Allowing the manager to undertake activities outside the scope of his/her prerogatives

### **3-Joint Stock company (Societe Anonyme Libanaise SAL)**

A joint stock company is a financial partnership involving three or more individuals owning shares of stock in the company. The company's common capital is made up of the monetary and in kind offerings of the partners. A joint stock company is different from a partnership. It involves shareholders who may not necessarily know each other and who may not act nor speak on behalf of the company.

Contrary to a partnership, a joint stock company has a capital and is considered as a model for capital companies. The capital of a joint stock company is divided into shares and shareholders own one or more shares and are free to transfer their ownership interest at any time. Contrary to a partnership, the limit of the shareholders' liability in a joint stock company only extends to the face value of their shareholding.

A joint stock company is always a commercial corporation regardless of its purpose. It is subject to commercial laws and practices, and shareholders do not have the status of merchants. Joint stock companies are inevitably members of Beirut Stock Exchange and must therefore pay a yearly subscription.

### **4-Limited Liability Company (Societe a Responsabilite Limitee SARL)**

A limited liability company combines partnerships and joint stock companies. The Lebanese legislator introduced this type of companies to Lebanon BY virtue of legislative decree No. 35 of 5 August 1967 in which partners are called administrators. Stocks are called shares, and companies do not issue certificates.

A limited liability company resembles partnerships as it is based to a large extent on personal considerations. Indeed, a limited liability company only has a limited number of partners who are often bound by family or friendship ties. Public subscription is prohibited, and the shares of partners may not be circulated. A limited liability company's name may not include the name of one or more partners.

A limited liability company is similar to joint-stock companies:

- a- The partners who establish the limited liability company are those who offer funds in cash or in kind, and services may not be considered as payment against the value of any share.
- b- The minimum amount for the capital is five million Lebanese pounds distributed in equal shares. If the capital falls below five million Lebanese pounds, the company must be transformed into a joint-liability company or a limited partnership company, otherwise the company must be dissolved.
- c- A partner is not considered to be a trader, and his responsibilities are limited to his offering of funds.
- d- The announcement of the partner's legal incapacity and bankruptcy do not require the company's dissolution.
- e- A limited liability company is commercial in form, regardless of its object.
- f- The administrators must deduct ten percent of the net profits each year in order to constitute a reserve of up to fifty percent of the company's capital.

#### **5-Partnership limited by shares**

A partnership limited by shares is a company whose capital is divided into shares. Owned by known shareholders, who are responsible according to the shares they hold. As for accredited shareholders, they manage the company and are personally responsible in solidarity of the company's debts, and they may not waive their shares to others.

The company's trade name is composed of the name of one or more accredited shareholders, followed by "and partners". The accredited shareholders manage the company and are accountable for all its debts.

In case of loss, the shareholders are responsible according to their contributions only, and their names are not included in the company's trade name.

#### **6-Holding companies**

The Lebanese law does not include any definition for holding companies. The correct definition can be based on foreign legislation and the object of the company mentioned in legislative decree 45 of 24 June 1983.

Holding companies are considered to be investment companies and joint stock companies in particular. They are subjected to the same provisions as joint stock companies.

#### **7-Offshore Companies**

An offshore company is a joint stock company founded in Lebanon and practicing its activities outside the Lebanese territory or in the free trade zone.

No definition of an offshore company exists in the Lebanese law – i.e. legislative decree 46 of 24

June 1983, which established offshore companies, followed by amended law 17 issued on 5 September 2008. However, we can deduce from the company denomination itself and its object that it is a joint-stock company that practices its activity outside the country where it is located. An offshore company is a commercial company that is registered at the commercial register in a special register for offshore companies in Beirut, where data and information required by the law from joint stock companies are published.

### **8-third foreign companies**

The Lebanese law recognizes the legal personality of each company established in a foreign country in compliance with the laws of this country where the legal personality was acquired. The foreign company acquiring a moral personality in its country of origin is entitled to enjoy all its rights: the nationality of the company shall be determined according to the location of its head office.

The foreign company abides by the laws of the country of its nationality except for the provisions in opposition to the Lebanese General Regulations. Foreign companies shall abide by the provisions of the Lebanese law related to the publication of companies.

They shall be registered at the Commercial register and are required to keep books. They also abide by the Lebanese fiscal law. The Lebanese courts are considered competent to rule in lawsuits arising from transactions executed by any of their branches in Lebanon. Foreign companies operating in Lebanon abide by the registration process.