

## VARIABLE CAPITAL COMPANY

The Act for Amendment and Supplement of the Commerce Act which was promulgated in State Gazette No. 66/01.08.2023 introduces a new type of company to the Bulgarian commercial legislation - Variable Capital Company (VCC). The Registry Agency shall start the registration of VCCs not later than 30.06.2024.

### I. OVERVIEW

The VCC aims to provide start-up companies with accessible form to develop their new business and attract external investors. This is accomplished by combining elements typical for the Limited Liability Company (LLC) and the Joint-Stock Company (JSC) as well as by introducing optional provisions that have already been established and widely used in the corporate world (e.g. right of first refusal, drag along, option pools and other).

### II. CAPITAL AND SHARES

As the name suggests the capital of the VCC is not fixed and is not subject to registration with the Commercial register. Instead, the amount of the capital shall be established annually with the resolution of the general meeting of the shareholders approving the annual financial statements. The capital is divided into shares with minimum nominal value of BGN 0.01.

The transfer of shares and the names of the shareholders are only reported in the shareholders record administered by the managing body of the company and shall not be announced with the Commercial register.

In addition, the absence of minimum capital requirements makes the registration process of a VCC significantly less burdensome compared to the registration of a LLC or JSC, as it does not require opening of a capital raising bank account prior to the registration of the company.

### III. LIMITATIONS AND OBLIGATION FOR TRANSFORMATION

Considering that VCC is intended for small and growing business, the VCC should be transformed into LLC or JSC once it reaches one of the following thresholds:

- (i) average number of employees exceeding 50;
- (ii) annual turnover exceeding BGN 4 000 000;
- (iii) value of assets exceeding BGN 4 000 000.

### IV. COMPARISON OF THE VCC WITH THE LLC AND JSC

Below you can find a table revealing the similarities and differences between the VCC and the other most widely used types of companies in Bulgaria.

	Limited Liability Company	Variable Capital Company	Joint-Stock Company
Minimum capital required	BGN 2	Non	BGN 50 000
Governing structure	Simple	Simple, but can be modified	Complex
Restricted transfer of shares to third parties	Yes	No, but can be modified	No, but can be modified
Registration of the shareholders with the Commercial register	Yes	No	No
Obligation for transformation once the business reaches certain volumes	No	Yes	No

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**DELCHEV & PARTNERS**