2026, Cilt 3, Sayı 4, 217-225

OPEN ACCESS
ISSN: 3062-262X

Akademik Eğitim ve Sosyal Bilimler Dergisi (AJESS Journal)

The Legal System of the Limited Liability Company under Law 15-20 -A Comparative Study–

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Article History
Received: 31/07/2026; Accepted : 25/08/2026; Published : 05/09/2026

Abstract:

Economic necessities prompted the Algerian legislator to intervene through Law 15-20 by making a series of amendments that fundamentally affected the substantive conditions for establishing the limited liability company exclusively. The aim was to provide a degree of flexibility to encourage the creation of this type of small and medium-sized enterprises, particularly by abolishing the minimum capital requirement for its establishment and introducing the industrial contribution. The amended and newly introduced provisions in the recent amendment paid special attention to the partners, granting them excessive facilitation at the expense of the guarantees for third parties dealing with the company .

Keywords: Limited liability company, industrial contribution, capital, small and medium enterprises, French legislation, Law 15-20 .

Introduction:

The economic transformations experienced by our country in recent years, due to the decline in oil prices in global markets and the low exchange rate level in the public treasury, have placed the state before significant economic challenges. This pushed it to move to a new phase aiming to eliminate the parallel economy and adopt a professional economy that responds to the supply and demand principle, rather than a restricted economy that imposes large investment companies. This will only be achieved through the diversity of small and medium enterprises as well as small artisanal enterprises that encourage tourism and attract foreign currency, considering their quick adaptability to economic changes due to their reliance on labor more than capital. On one hand, there is protection of the national economy, and on the other, its activation and development outside the hydrocarbons sector, thereby avoiding the risk of external debt.

In light of these developments and to encourage the establishment of this type of small and medium enterprises, the Algerian legislator, driven by economic motives, enacted amendments introduced by Law 15-20 dated 18 Rabi' al-Awwal 1437 corresponding to December 30, 2015[1], which amends and supplements Law 75-59 containing the Algerian Commercial Code[2]. This represents a new step in reforming the commercial legal system by introducing a new category of supplementary provisions to better respond to the new situation. It also introduced texts aligned with the emerging economic conditions by revising the provisions related to limited liability companies, which have German origins, first recognized in German legislation in 1892, spread in the Alsace-Lorraine provinces, and then transferred to French

[1] - Law No. 15-20 dated 18 Rabi' al-Awwal 1437 corresponding to December 30, 2015, amends and supplements Order No. 75-59 dated 20 Ramadan 1395 corresponding to September 26, 1975, which includes the Commercial Code, Official Gazette No. 71, dated December 30, 2015.

2 - Order 75-59 dated September 26, 1975, including the Algerian Commercial Code, amended and supplemented, Official Gazette No. 101, dated December 19, 1975.

legislation under the law of March 7, 1925, known as "Société à Responsabilité Limitée" (S.A.R.L)[3], and quickly achieved clear success[4].
As for Algerian legislation, it adopted this in the Commercial Code issued on September 26, 1975, including it in articles 564 to 591, consisting of two partners. Since the issuance of Order No. 96-27 dated December 9, 1996, under article 564[5], it became possible to establish a limited liability company with a single person, called the "Single-Person Limited Liability Company" (E.U.R.L).

However, the new amendment introduced by the Algerian legislator includes "the removal of the minimum capital requirement for the company, allowing partners to pay only one-fifth of the cash contributions representing their shares, raising the number of partners to 50, and providing protections enabling them to recover their funds if the company is not established, in addition to including a work contribution."
All these measures aim to provide a degree of flexibility to encourage the establishment of this type of small and medium-sized enterprises, especially by removing the minimum capital requirement for their formation.
Accordingly, the question arises about the suitability of these new amendments related to limited liability companies for the Algerian economic climate, as well as their effectiveness as a method to support and stimulate the creation of this type of company.
To address this issue, a comparative descriptive analytical approach was adopted, aiming to provide an accurate and clear description of the limited liability company, as well as to analyze the provisions of the new amendment, identify potential legal gaps, and compare this with the French legislation that preceded us in regulating this type of company, given that Law 15-20 is a literal translation of what is contained in the French commercial legislation.
To achieve the objectives of this study and answer the raised question, a systematic and logical division of the subject will be adopted through the following two main elements:
First: The new legal procedures for establishing a limited liability company.
Second: Evaluation of the amended and newly introduced legal texts under Order 15-20.

First: The new legal procedures for establishing a limited liability company:

The Algerian legislator has defined the legal procedures for establishing a limited liability company under Law No. 75-59, which includes the commercial code, and has imposed legal consequences for non-compliance. However, it intervened again through the amendments introduced by Decree No. 15-20, which affected the conditions related to the creation and organization of this type of company, which has a special legal nature. It established incentive provisions for project owners who choose the limited liability company form as the legal system for conducting their activity, adopting the approach of contemporary laws [6]to promote the commercial legal system and adapt it to the new national and global economic situation by providing a degree of flexibility to simplify its establishment and achieve an increase in its capital.
To clarify the amendment, we must first address the determination of the legal nature of the company (I), and then the new amended provisions (II).

I- Nature of the Company:

Referring to the legal nature of the limited liability company, it occupies an intermediate position between partnerships and capital companies. French jurisprudence[7] considers it a hybrid type of company. On the one hand, it cannot be considered a partnership company since the partners' liability is limited and the reasons for its dissolution are not linked to the partner's person.
On the other hand, it cannot be considered a capital company because the personal consideration plays an indispensable role, the social shares are not freely transferable, and the company does not end with the death, bankruptcy, interdiction, or withdrawal of a partner. It combines both personal[8] and financial elements simultaneously. It is also a commercial company by form regardless of its subject matter, and the partners do not have the status of merchants. It is also suitable for small and medium-sized projects that are exempt from the complex and lengthy procedures required to establish a joint-stock company.

II- Modified Provisions of the Specific Substantive Elements of the Limited Liability Company:

3 - Philippe Merle, Commercial Law Commercial Companies, 13th edition, 2009, p. 199.
4 - Michel Germain, Treatise on Commercial Law, Volume 1-Volume 2, Commercial Companies, 18th edition, General Law and Jurisprudence Bookstore, E.J.A., 2002, p. 172.
5 - See Article 564 of the Algerian Commercial Code.
6 - Contemporary laws are comparative laws, and a prime example of this is French legislation, which can be considered the original and main reference for Algerian commercial legislation. This is clearly demonstrated through our examination of the provisions introduced by Amendment 15-20, evidenced by the influence of the Algerian legislator by the French counterpart's legal procedures and rulings concerning the limited liability company, which we will clarify later.
7 - Philippe Merle, Commercial Law Commercial Companies, 13th edition, 2009, p. 200. "The SARL is a company of a hybrid nature. It is not a partnership-type company, such as a general partnership (the liability of partners is limited; the causes of dissolution related to the person of the partners do not apply). Nor is it a capital company, such as a public limited company (the personal element plays a significant role, the shares are not freely transferable)." See also: Bernard SAINTOURENS, "The enhanced attractiveness of the SARL after Ordinance No. 2004-275 of March 25, 2004," Revue des sociétés, No. 2, 2004, p. 208.
8 - Paul LE CANNU, "The law for economic initiative and company law," Revue des sociétés, No. 3, 2003, p. 409.

The company contract differs from other contracts by some special distinctive provisions[9], as the limited liability company, like other companies, is based on a contract subject to general substantive conditions, other specific conditions, and formal requirements. However, through the new amendment introduced by the Algerian legislator under Law 15-20 amending and supplementing the Commercial Code, the specific substantive conditions for establishing this company alone were affected. This will be clarified through the following points:

1- Abolition of the Minimum Capital Requirement for the Company:

The Algerian legislator intervened in regulating commercial companies with mandatory rules, where Article 566 of the Algerian Commercial Code previously stipulated the minimum capital for establishing a limited liability company as "The capital of the limited liability company shall not be less than 100,000 DZD. The capital is divided into shares of equal

value, each at least 1,000 DZD"[10].

However, it withdrew this legal obligation through the amendment brought by the same Article 566 in its new wording: "The capital of the limited liability company is freely determined by the partners in the company's bylaws and is divided into shares of equal nominal value. The capital must be stated in all company documents"[11]. In other words, it is now possible to establish a limited liability company with a symbolic capital of 1 Dinar. Thus, this article abolished the minimum capital requirement and left complete freedom to the partners to determine it in the company's bylaws, with the obligation to mention it in all documents.

2- Subscription and Payment of Contributions in Cash:

The Algerian legislator repealed Article 567 of Commercial Law 75-59 and amended it by Law No. 15-20. The newly worded Article 567 states: "Shares must be distributed among the partners in the company's articles of association, and all shares must be subscribed to by the partners, with their full value paid in the case of in-kind shares. Cash shares must be paid at a value of no less than one-fifth (1/5) of the founding capital amount, and the remaining amount may be paid in one or several installments by order of the company manager within a maximum period of five (5) years from the date of the company's registration in the commercial register. All shares must be fully paid before any subscription to new cash shares, under penalty of nullity of the operation..."[12].

This new provision abolished the obligation for partners to pay the full amount of cash shares upon founding their company, while maintaining this requirement only for in-kind shares. This contrasts with the repealed article, which stipulated "the obligation of full subscription for all shares and full payment of their value at the time of establishment, whether in-kind or cash"[13].

3- Contribution of Work Share:

The legislator expanded the shares of the limited liability company to include a work contribution, whereas previously shares were limited to in-kind and cash contributions only. This was done by introducing a new Article 567 bis of the Algerian Commercial Law, which states: "Contributions in a limited liability company may be in the form of work, with the methods for valuing its worth and the profits it entitles to determined within the company's articles of association, and it does not form part of the company's capital formation"[14]. This is contrary to the provision of Article 567 of Law 75-59, repealed by Law 15-20 containing the commercial law, which stated: "...Shares may not be represented by a work contribution, and the distribution of shares is mentioned in the articles of association..." Where it was explicitly refused that there be work shares in the limited liability company.

4- Enhancing the protection of partners:

The legislator introduced a new provision, Article 567 bis 1 of the Commercial Code, which states: "If the company is not established within six (6) months from the date of depositing the funds, any subscriber may request the notary to withdraw the amount of their contribution. In case this is not possible by ordinary means, they may request the urgent judge to authorize the withdrawal of this amount[15]." This provides special protection to partners by granting them the guarantee to recover their funds deposited with the notary if the company is not established after six months from the deposit date. It also strengthens their protection and enables them to resort to the judiciary to recover their funds if ordinary methods fail.

5- Raising the maximum number of partners:

The Algerian legislator set the maximum number of partners in a limited liability company in the new amendment to Article 590 of the Commercial Code, amended by the law of December 30, 2015, at fifty partners, stating[16]: "The number of partners in a limited liability company shall not exceed fifty partners..." This contrasts with the previous provision, which limited the maximum number of partners in such a company to twenty.

Second: Evaluation of the amended and newly introduced legal texts under Order 15-20

9 - WWW.algeriepatriotique.com, September 11, 2015, Last consulted on: February 16, 206.

10 - See Article 566 of Algerian Commercial Law 75-59.

11 - See Article 566 of the amended Commercial Law 15-20.

12 - See Article 567 of the amended Commercial Law 15-20.

13 - See Article 567 of the Commercial Law (repealed)

14 - See Article 567 bis of the Algerian Commercial Law.

15 - See Article 567 bis 1 of the Algerian Commercial Law.

16 - See Article 590 of the Algerian Commercial Law.

The Algerian legislator introduced amendments to the provisions regulating the limited liability company by decree of December 30, 2015, aiming to simplify its establishment procedures. Thus, it recognized the constraints opposing the creation of this type of company in the previous text, unlike many countries that encourage and promote its establishment, which prompted a reconsideration of its stance regarding many provisions.

In this context, we will address the expansion of contractual freedom in the limited liability company (I), followed by a reference to the impact of the new amendment on it (II).

I- Expansion of contractual freedom in the limited liability company:

Through the measures introduced by Law 15-20, the legislator has enhanced the partners' freedom to draft certain rules of the limited liability company in its articles of association, which we will explain below:

1- Capital at a symbolic 1 dinar:

Since Law 15-20, there is no longer a need for a minimum capital of 100,000 DZD in the limited liability company. The Algerian legislator, by amending Article 566 of the Commercial Code[17], has adopted the idea of the French legislator embodied in Article 223-2 of the French Commercial Code[18], amended by Law No. 2003-721 of August 1, 2003, the Financial Guarantee Law[19], which introduced some flexibility for this type of company[20].

Thus, establishing a limited liability company with capital that can be as low as a symbolic 1 dinar has become possible. However, having a large capital for the company is important as it guarantees coverage of its initial activities at least. Moreover, the value of the capital collected from the partners allows third parties to assess the project's viability and decide whether to support it or not. It also serves as a guarantee that spares the company from problems in all contracts it subsequently enters into. However, it must be specified at the time of the company's establishment and must be written in all its documents. This disclosure gives it credibility with suppliers and customers. Therefore, it was more likely for the legislator to raise the minimum capital rather than abolish it, as this absolute freedom to determine it poses a risk to the company's future and its ability to withstand and endure within a market characterized by competition and dominance. Where it will find itself forced to expand its activity and finance its projects. This is only possible by resorting to borrowing from venture capital companies, investment funds, or banks, which often require significant guarantees for lending due to the unreliability of the company's capital.

If we accept that a limited liability company can be established with a capital of 1 Algerian dinar, it will be almost nonexistent, which will entail joint liability on the managing partners affecting their personal funds.

2- Capital Contributions:

Article 567 of the amended Order 15-20, which includes the Algerian Commercial Law, aims to provide significant facilitation regarding the payment of cash shares, as it removed the obligation to pay them in full at the time of establishment. The Algerian legislator introduced this flexibility from Article 223-7, paragraph 1 of the French Commercial Code[21], amended by Order No. 2001-420 of May 15, 2001[22]. It is noted that the Algerian legislator fully transferred the first paragraph from the French text.

A- In-kind shares: They must be paid in full on the date of the company's establishment, unlike cash shares, which are paid in two or more stages according to what the partners agreed upon in its founding system. It is not permissible to take five years to fulfill an in-kind share; it is necessary to prepare a detailed preliminary report on the value of the in-kind shares. This evaluation is carried out by an expert appointed unanimously by the partners, and in case of disagreement,

17 - See Article 566 of the Algerian Commercial Law amended by Order 15-20.

18 - 19. Article L 223-2 of the French Commercial Code, amended by law no. 2003-721 of August 1, 2003 - art. 1 JORF August 5, 2003 (the law for economic initiative). "The amount of the company's capital is fixed by the articles of association. It is divided into equal shares."

19 - Law no. 2003-721 of August 1, 2003, for economic initiative, J.O.R.F. of August 5, 2003, p. 13449. Corrected by J.O. of September 20, 2003, p. 16127.

20 - The aim of the French legislator in abolishing the minimum capital requirement for this company was to encourage the creation of "START-UP" or "JEUNE POUSSE," known as emerging companies. These are small innovative companies in advanced technology across various fields (biotechnology, environment, health) that generally have great growth potential. They attract customers through a product or service never offered before and rely primarily on a business model or method of operation capable of rapid scalability with high economic growth potential as well as quick profit generation. These start-ups usually become large companies with substantial budgets, such as Facebook, Deezer, Meetic, and others.

21 - Article L 223-7, paragraph 2, of the French Commercial Code, as amended by Ordinance No. 2001-420 of 15 May 2001, Article 124, provides that: "The shares must be fully subscribed by the partners. They must be fully paid up when they represent contributions in kind. Shares representing cash contributions must be paid up to at least one-fifth of their nominal value. The payment of the remaining balance shall take place in one or more installments by decision of the manager, within a period not exceeding five years from the registration of the company in the Trade and Companies Register. However, the share capital must be fully paid up before any subscription of new shares to be paid in cash, failing which the transaction shall be null and void …".

22 - Law No. 2001-420 of May 15, 2001, relating to new economic regulations (known as the NRE law); Official Journal of the French Republic No. 113 of May 16, 2001; p. 7776.

appointed by the judiciary. It is also possible to include a clause in the founding law stating that it is not necessary to resort to an expert to evaluate the shares, but that this is done by the partners themselves. Contractual freedom remains open to them in the bylaws, and this evaluation must be accurate and precise because it contributes to the formation of the company's capital to protect third parties. In the case of fraud or declaring a value that contradicts the truth, the director is
held responsible.

B - Cash Shares: At least one-fifth (1/5) of the amount must be paid on the day the company is established, and the remaining amount must be paid within five years of its establishment. Payment can be made in one installment or several installments; the decision remains with the company director and depends on the company's financial situation. The director can compel partners to pay the remaining value of their shares before the end of the five-year period if the company faces financial difficulties that might lead it to stop payments, in order to settle its financial position. The Algerian legislator also prohibited partners from subscribing to new cash shares to increase the company's capital before the full payment of the shares, to avoid misleading capital.

3- Industrial Contribution:

Since December 30, 2015, all restrictions previously applied to labor shares in limited liability companies have been lifted, and the Algerian legislator explicitly allowed them in Article 567 bis[23] mentioned above. This was preceded by the French legislator under Article 223-7, paragraph 2 of the amendment introduced by Law (NRE)* of May 15, 2001[24], which includes the French Commercial Code.

However, through the new amendment 15-20, the Algerian legislator separated labor shares from cash and in-kind shares and dedicated a separate article to them, unlike the French legislator who combined them in one article with cash and in-kind shares. Consequently, a partner now has the right to commit to providing or performing work for the company. A labor share represents the partners' contribution of tangible benefits to the company through their knowledge, technical skills, expertise, as well as their scientific research, in addition to manual labor by providing a service or competence in exchange for their contributions. However, this type of share does not form part of the company's capital.

However, a partner who contributes with a work share has the right to receive shares in return, entitling them to a portion of the profits and net assets[25], as well as the right to vote, and may be exempted from losses.

a- The work share does not count towards the establishment of the company's capital:

Perhaps the reason the Algerian legislator does not accept the work share in a limited liability company under Law 75-59, as amended and supplemented, is that it does not represent a real and sufficient guarantee for creditors due to the impossibility of seizure or enforcement on it, as it is not included in the capital valuation. However, it grants its owner the right to a share of the profits. This prevents the possibility of forming a company solely from work shares, considering that the company's capital consists of the total cash and in-kind shares, excluding the work share[26].

b- The partner's contribution of work to the company's losses:

The partner's participation in the losses incurred by the company is considered a fundamental element of the contract on which it is based. Exempting the partner from participating in losses is considered a condition of utmost severity, rendering the company contract void. However, there is an exception stated in Article 426, paragraph 2 of the Algerian Civil Code, which exempts a partner who has only contributed work from any contribution to losses, provided that a wage has been decided for their work[27]. Otherwise, partners may include in the founding contract a provision for the partner with a work share to participate in losses if it is proven that the loss suffered by the company resulted from forgery or negligence in their work. It should be noted that this responsibility usually falls on the manager rather than the partner, but there may be a clause in the bylaws that imposes responsibility on the partner in such cases. All these rights granted to the partner are matched by successive obligations for their industrial contribution to the company, obliging them to:

- Providing the company with the agreed expertise, skill, and knowledge.
- A non-compete clause for the duration of the contribution, for example (transferring expertise or skill to another company).
- The industrial contribution is closely tied to the partner's person, unlike cash and in-kind shares, as it cannot be transferred or sold; the partner's death or inability to continue their activity leads to the termination of their share in the company[28]. However, if the inability to perform the service is temporary (e.g., illness), in such cases, a compensation condition can be set in the form of additional work or extra service.

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23 - See Article 567 bis of the Algerian Commercial Code.

*NRE: The New Economic Regulations.

24 - Article L 223-7, paragraph 2, of the French Commercial Code, amended by Law No. 2001-420 of May 15, 2001 - Article 124(v). "... Where applicable, the bylaws determine the terms under which shares in industry may be subscribed."

25 - Philippe Merle, Commercial Law, Commercial Companies, 13th edition, 2009, pp. 206-207.

26 - See: Samiha Al-Qailoubi, Commercial Companies, 6th edition, Dar Al-Nahda Al-Arabiya, Cairo, 2014, pp. 64-65.

27 - See Article 426, paragraph 2 of the Algerian Civil Code.

28 - See: Michel Germain, translated by Mansour Al-Qadi and Wad Salim Haddad, The Comprehensive in Commercial Law (Commercial Companies), Part One, Volume Two, First Edition, University Institution for Studies, Publishing and Distribution, 2008, p. 261.

- Remaining in the company for the entire contractually agreed period of their contribution, which may be for a specific period or for the lifetime of the company.

Based on this, all the above should be included in the company's articles of association, leaving the legislator the freedom to draft this law, balanced by the necessity to regulate the terminology, especially concerning (the definition of the share, its subject, the identity of the partner, its duration, the number of shares allocated to the partner, and the rewards granted to them in return for their work...). These must be clarified to prevent internal disputes among partners later and to avoid misleading third parties. Despite the importance of the labor share in a limited liability company, it may provoke significant controversy in determining its value.

C. Determining the value of the industrial contribution:

The labor share has value, and this is indisputable, as it consists of effort, and effort has value that must be properly assessed to protect the rights of partners and third parties[29]. The labor share is a compensation tool for effective work but does not constitute an employment contract. The company has work that must be performed to achieve its objectives; however, it gains a benefit that exempts it and relieves it from the burdens of wages due for this work.

Therefore, the value of the contribution can be estimated based on what the company would have had to spend to obtain the same function, service, or benefit provided by this industrial contribution.

The value of the work share in the company's articles of association is assessed at the time of the contribution, as explicitly stated in Article 567 bis of the Algerian Commercial Code[30]. The articles of association may also include a clause allowing for subsequent valuations of this contribution, such as annually or biennially, or it may consider the company's situation in relation to this share. Even if the work share does not form part of the company's capital, it is still part of the company's composition, making it an important element within it.

From the above, it is clear the essential role played by the work share in a limited liability company, even if it is not in cash, considering that some individuals possess sufficient and rare skills and competencies on one hand, but lack the financial element on the other, which may prevent them from contributing to the company. By permitting the work share in this type of company and including an explicit article in its new amendment 15-20 stating this, the Algerian legislator has followed the example of its French counterpart.

4- Partners' right to withdraw amounts of their shares:

Article 567 bis 1, a new provision included in the amended and supplemented Commercial Code by Law 15-20[31], which was omitted by the legislator in the previous Law 75-59, provides a guarantee for partners to recover their funds in case the company is not established. This corresponds to Article 223-8, paragraph 2[32] of Decree 2004-274 of March 25, 2004, containing the French Commercial Code[33]. However, the Algerian legislator did not transfer the entire article but only transposed the second paragraph, omitting the first and third paragraphs of the same article.

5- Maintaining the Company's Form:

The French legislator initially set the number of partners in a limited liability company at fifty before the 2004 amendment. However, Decree No. 2004-274 of March 25, 2004, which introduced a simplification of the law, amended Article 223-3 of the French Commercial Code by raising the number of partners to 100[34]. It is noteworthy that the Algerian legislator, by removing the minimum capital requirement for limited liability companies, recognized the importance of increasing the number of partners for the future of such companies. This is reflected in Article 590 of the aforementioned Algerian Commercial Code, which was inspired by French law. This measure preserves the company's future and avoids its transformation into a joint-stock company if the number of partners exceeds twenty. This situation may occur in the event of the death of one of the partners and the transfer of their share to heirs or successors. Forcing them to change the company's form might conflict with their wishes; therefore, raising the maximum number to 50 partners will allow them to continue their activity as a limited liability company.

29 - See: Fawzi Fattat and A. Fawzi Naeimi, Various Legal Perspectives on the Scope of the Industrial Share in Commercial Companies under Algerian Law, Faculty of Law, Abu Bakr Belkaid University, Tlemcen, Journal of Legal and Administrative Sciences – RDMED 1112_4334, No. 2-2004, pp. 61-62.

30 - See Article 567 bis of the Algerian Commercial Code.

31 - See Article 567 bis 1 of the Algerian Commercial Code.

32 - 35. Article L 223-8, paragraph 2, of the French Commercial Code, Ordinance No. 2004-274 of March 25, 2004 (concerning the simplification of law and formalities for businesses, text No. 15), "... If the company is not formed within six months from the first deposit of funds, or if it is not registered in the trade and companies register within the same period, the contributors may individually request judicial authorization to withdraw the amount of their contributions. In the same cases, a representative, provided they represent all contributors, may directly request the custodian to withdraw the funds ...".

33 - Ordinance No. 2004-274 of March 25, 2004, concerning the simplification of law and formalities for businesses; Official Journal of the French Republic No. 27 of March 25, 2004.

34 - Article L 223-3 of the French Commercial Code, amended by Ordinance No. 2004-274 of March 25, 2004, Article 11, Official Journal of the French Republic March 2004, "The number of partners in a limited liability company cannot exceed one hundred. If the company comes to include more than one hundred partners, it is dissolved at the end of a one-year period unless, during this period, the number of partners has become equal to or less than one hundred or the company has undergone a transformation."

II- The Impact of the New Amendment on the Limited Liability Company:

The five amendments introduced by Law 15-20, which includes the Commercial Code, grant the Algerian legislator freedom and flexibility in the procedures for establishing a limited liability company. However, one of these measures is of particular importance: the abolition of the minimum capital requirement for the company. This freedom has both advantages and disadvantages:

1- Advantages of the Amendment:

Based on the above, we can deduce some advantages, which we will discuss below:

A- Freedom to Determine the Company's Capital:

Practical reality has shown that the minimum capital for a limited liability company previously set by the Algerian legislator at 100,000 dinars did not constitute a real guarantee for its creditors, as the amounts subscribed to its capital could be spent even before it started its activity. However, the new amendment has overcome this interpretation by abolishing the minimum capital for this company and leaving the freedom to determine it to the partners in its articles of association, in a way that suits the size of their project, avoiding cash flow issues.

On the other hand, the capital, which can be a symbolic 1 dinar in the new legislation, simplifies the establishment of the company with a symbolic capital that can be set at 1 Algerian dinar, thus opening the possibility of subscription to many people. Also, the absence of formalities for increasing or decreasing the capital allows the company to achieve significant savings.

B- Execution of promised in-kind shares:

The Algerian legislator set a time frame[35] for the partners of five years to fully subscribe to the value of the cash shares, a sufficient period for the partner to collect his money, which may be an inheritance or debts owed by others. The debt must be genuine and not fictitious, thus fulfilling what he committed to the company. The money subject to the share may also originate from a gift[36].

C- Work shares as a means to enhance expertise within the company:

Such a share, which the Algerian legislator previously considered incompatible with the nature of the limited liability company, has been reconsidered and explicitly permitted in the new amendment, allowing project owners who wish to join the company without needing to invest money in the project. It is a means to enhance expertise within it. It also allows individuals to move from being employees of the company to partners, granting its owner a share of the profits and the right to participate in decision-making.

Since it does not represent part of the company's capital, it exempts its owner from losses. In addition, it creates special job positions for university graduates and individuals with professional and intellectual skills and competencies, reducing the unemployment rate and thereby advancing and developing the national economy.

D- Protecting partners' funds from exploitation and manipulation:

The new amendment addressed a neglect that the previous law suffered from, which is enabling partners to withdraw and recover their share amounts if the company is not established within six months.

E- Avoiding the transformation of the company into another form:

The new amendment allows the limited liability company to retain its personal character, even if the number of its partners exceeds twenty, without being obliged to convert into a joint-stock company.

2- Risks of the amendment:

From another perspective, we derive a number of risks and point to them as follows:

A- Capital as a financing tool for the company:

The company's financial difficulties may begin early, leading to failure to meet its initial expenses such as registration fees and legal announcement for its establishment. Thus, the company's capital will be negative even before it starts its activity. Moreover, a very low capital, which can be as little as 1 symbolic dinar, can only be acceptable if supported by stable financial resources, for example (through bank loans or partners' current accounts that may be frozen for a certain period). Also, the legislator's removal of the minimum capital requirement for the limited liability company will inevitably lead to the creation of very small companies with excessively low capital value, and therefore they cannot endure long due to insufficient capital.

B- Lack of Financial Credibility:

As a general rule for establishing a company, a bank account must be opened to freeze its funds. Therefore, the capital deposited by the partners in the bank has a significant and negative impact on the credibility of the project. This may lead to difficulty in finding a bank willing to open an account for the company with 1 Algerian dinar.

Additionally, the symbolic capital prevents the limited liability company from fully benefiting from obtaining bank loans to finance its investments due to the lack of sufficient financial guarantees. This can only be achieved with deposits or personal guarantees from the managers and partners. Consequently, their liability becomes joint and personal, not limited to the amount of their contributions, but extends to their personal funds. They must be prepared to face financial risks, which will cause the company to lose one of its most important features, namely the limited liability of the partner for the company's debts.

35 - See: Foutat Fawzi, The Legal Rules for Fulfilling Shares and Disposing of Them in Commercial Companies under Algerian Law, University Press Office, Regional Printing House in Oran, p. 33.

36 - See: same reference, p. 43.

C- Potential Liability of the Company Manager:

The amount of capital may not align with the economic requirements of the project, which imposes potential civil and criminal liability on the manager of the limited liability company. In case the company faces financial difficulties leading to insolvency, the initial lack of capital funding is likely to be considered a contributing factor to the company's failure and thus an administrative fault attributed to the manager.

D- Non-Transferability of the Work Share:

In the event of selling the limited liability company, partners with a work share cannot gain any profit from the capital since their shares are non-transferable. This may also be a burden on the partner's effort if their exerted work exceeds the estimated value of their contribution. Over time, the partner may lose some of their skills due to fatigue, which negatively affects the company's activity.

Conclusion:

The Algerian legislator, through Law 15-20, aimed to simplify the procedures for establishing limited liability companies, which have received special attention from the state in recent years to attract local and foreign investment and stimulate the entrepreneurial spirit among young entrepreneurs in order to advance the national economy and reduce unemployment rates. Despite the Algerian legislator's awareness of some legal gaps and deficiencies overlooked by the previous commercial law text regarding this type of company, the abolition of the minimum capital requirement for limited liability companies entails the removal of limits on partners' liability before third parties. The legislator's acceptance of work contribution as a share in this company has made personal considerations prevail over financial considerations, leading to a series of questions and issues concerning the legal nature of this company, whose provisions now closely resemble those of a general partnership, as well as the fate of its creditors.

Accordingly, we propose the following recommendations:

- The flexibility in establishment introduced by Law 15-20 may lead some individuals to hide behind the mask of a limited liability company to engage in activities beyond their financial capacity, which will lead to its bankruptcy, or to form fictitious companies. Therefore, the legislator should explore ways that provide greater protection for partners on one hand and creditors on the other.
- A reconsideration of Article 566 of the Algerian Commercial Code, through which the legislator abolished the minimum capital requirement for establishing a limited liability company, is necessary due to the imbalance it caused regarding the legal position of creditors. Hence, the minimum capital that was stipulated in the previous text should be reinstated rather than removed, as it is the sole guarantee for creditors in this type of company.
- The legislator introduced a new provision allowing limited liability companies to issue registered bonds that are non-transferable, similar to what the French legislator did.
- The number of partners was increased to 100, as the French legislator did, to combat unemployment on one hand and to increase creditor guarantees on the other.
- It is criticized that the legislator addressed the labor share in a single article without setting standards for its acceptance or evaluation, especially since it reduces creditor guarantees. Therefore, the legislator should either intervene again and regulate it according to detailed and precise provisions or dispense with it, considering it incompatible with the nature of the limited liability company.

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