



UNCITRAL

United Nations Commission on International Trade Law

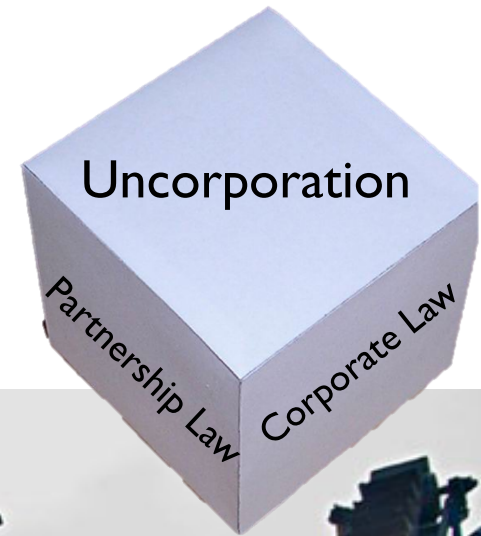


THE UNCORPORATION



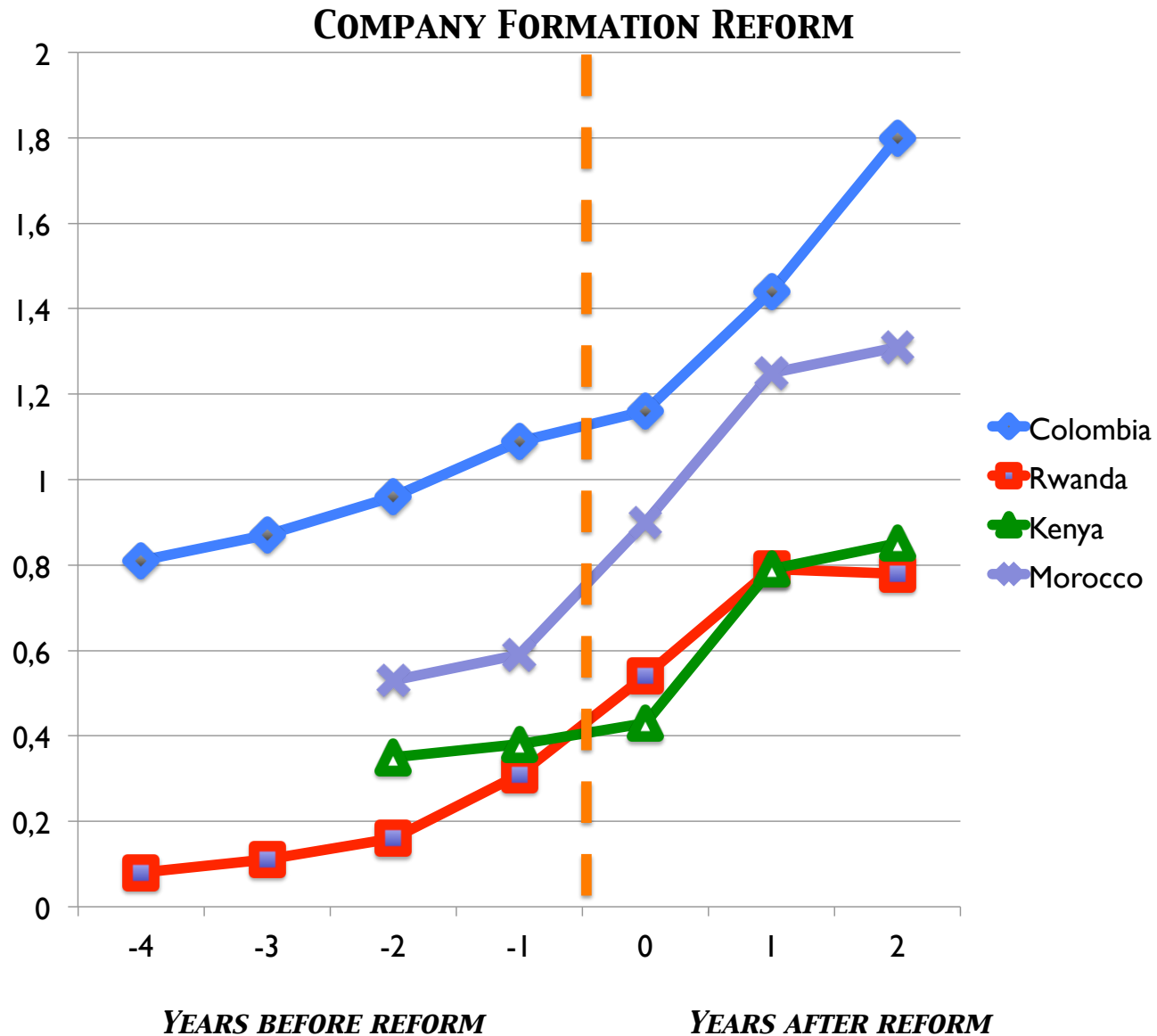
**A REVOLUTIONARY VEHICLE FOR
MICROBUSINESS AND MICROFINANCE**

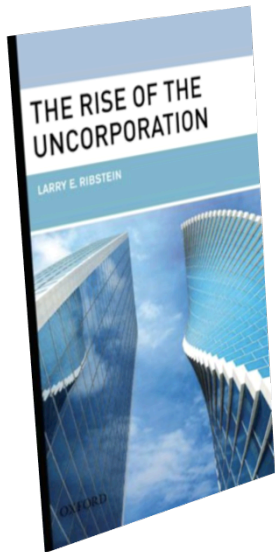
Erik P.M. Vermeulen



BUSINESS ENTITY DENSITY RATE

The number of newly registered companies per 1,000 working-age people (ages 15-64)





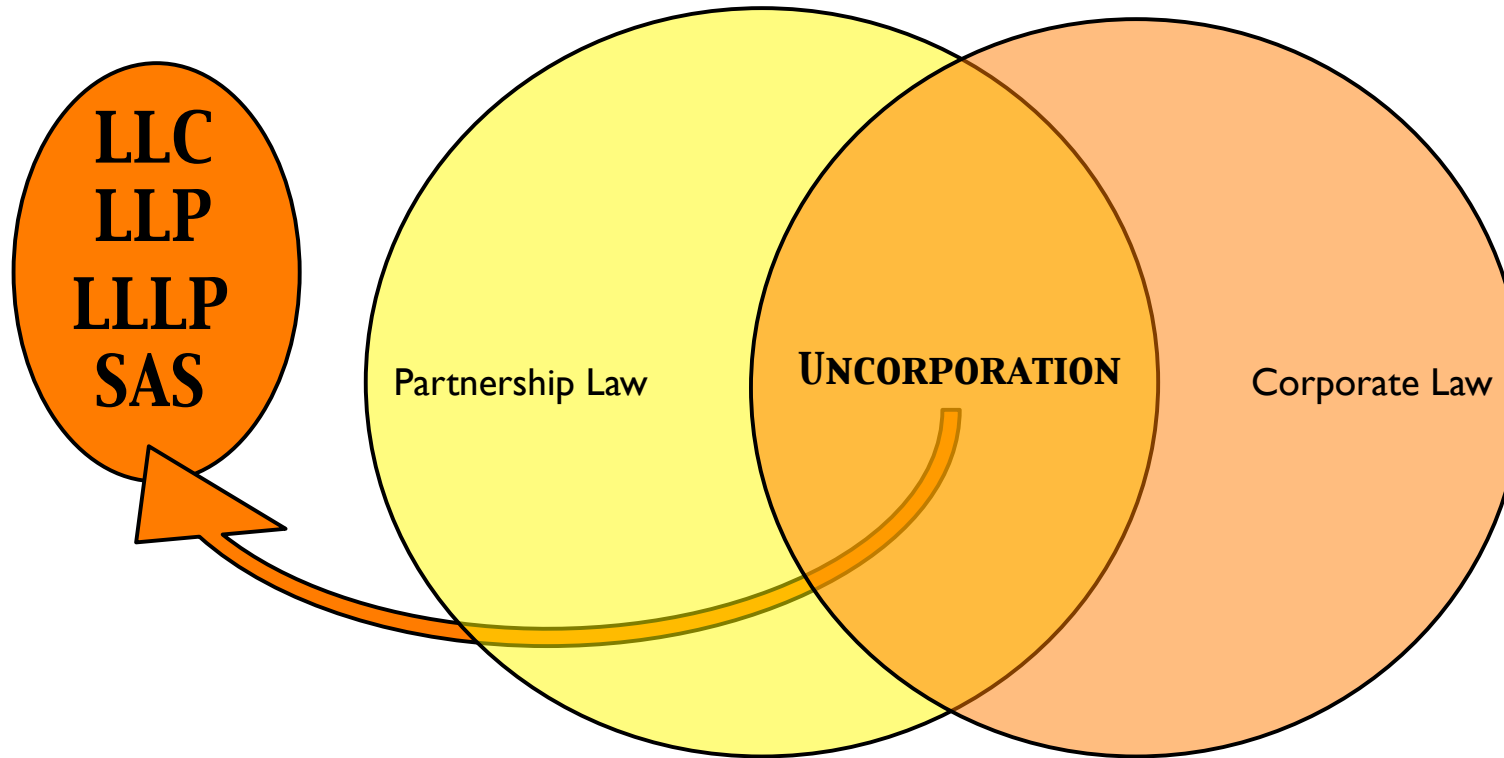
LEX RESEARCH LTD

A Primer on the Uncorporation

Joseph A. McCahery, Erik P.M. Vermeulen and Priyanka Priydershini

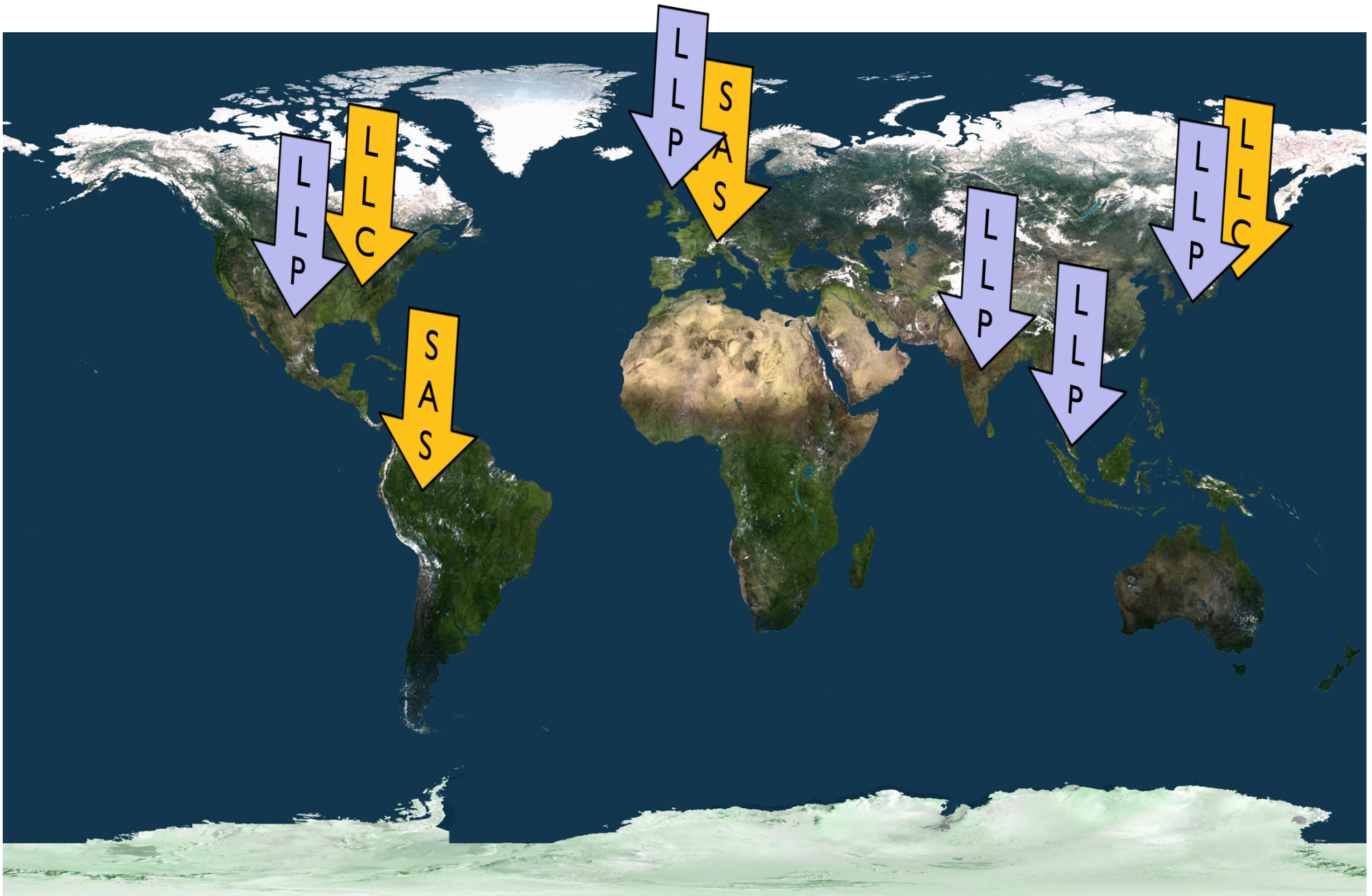
<http://ssrn.com/abstract=2200783>

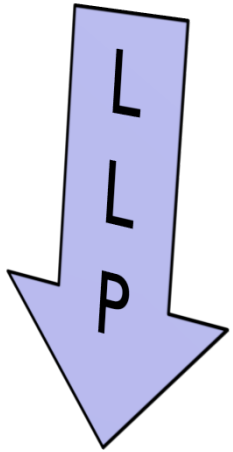
WHAT IS A UNCORPORATION/HYBRID BUSINESS FORM?



PARTNERSHIP FEATURES	CORPORATE FEATURES
SIMPLE FORMATION PROCEDURES	LEGAL ENTITY
INTERNAL FLEXIBILITY	LIMITED LIABILITY
TRANSFER RESTRICTIONS	CONTINUITY OF LIFE

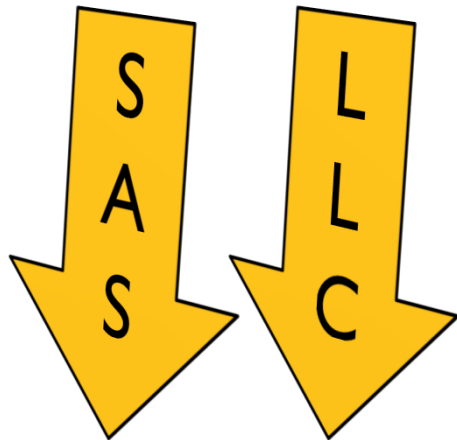
THE RISE AND DEVELOPMENT OF THE UNCORPORATION





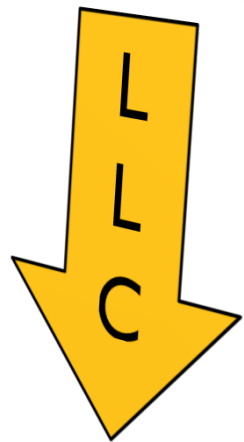
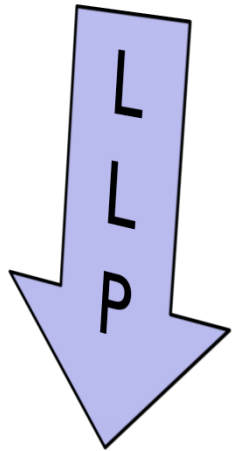
PARTNERSHIP-TYPE UNCORPORATION

PARTNERSHIP FEATURES
PASS-THROUGH TAXATION
MEMBER-MANAGED (DEFAULT)



CORPORATE-TYPE UNCORPORATION

CORPORATE FEATURES
CORPORATE TAXATION (EXCEPTION US)
MANAGER-MANAGED (DEFAULT)



PARTNERSHIP FEATURES
PASS-THROUGH TAXATION
MEMBER-MANAGED

CORPORATE FEATURES
CORPORATE TAXATION (EXCEPTION US)
MANAGER-MANAGED (DEFAULT)

Entity	2005	2006	2007	2008	2009	2010
J-LLC	-	4066	9557	10785	13667	15772
J-LLP	366	1781	1725	1715	1650	1540



FUNCTION-SPECIFIC BEST PRACTICES FOR THE UNCORPORATION

On-line Formation /
Registration Procedures

Internal Flexibility
(to Establish Collaborations &
Attract Investors)

Conflict Resolution
Procedures



Ministry of Corporate Affairs
Government of India



Empowering Business, Protecting Investors
Regulator • Integrator • Facilitator • Educator

[Home](#) [Services](#) [Acts,Bills,Rules](#) [Information](#) [RTI](#) [Reports](#) [Help](#)



[Register a new LLP](#)



[Change LLP Information](#)



[Compliance / Approval Filing](#)



[Close a LLP](#)

Partnership-Type

9,395 LLPs

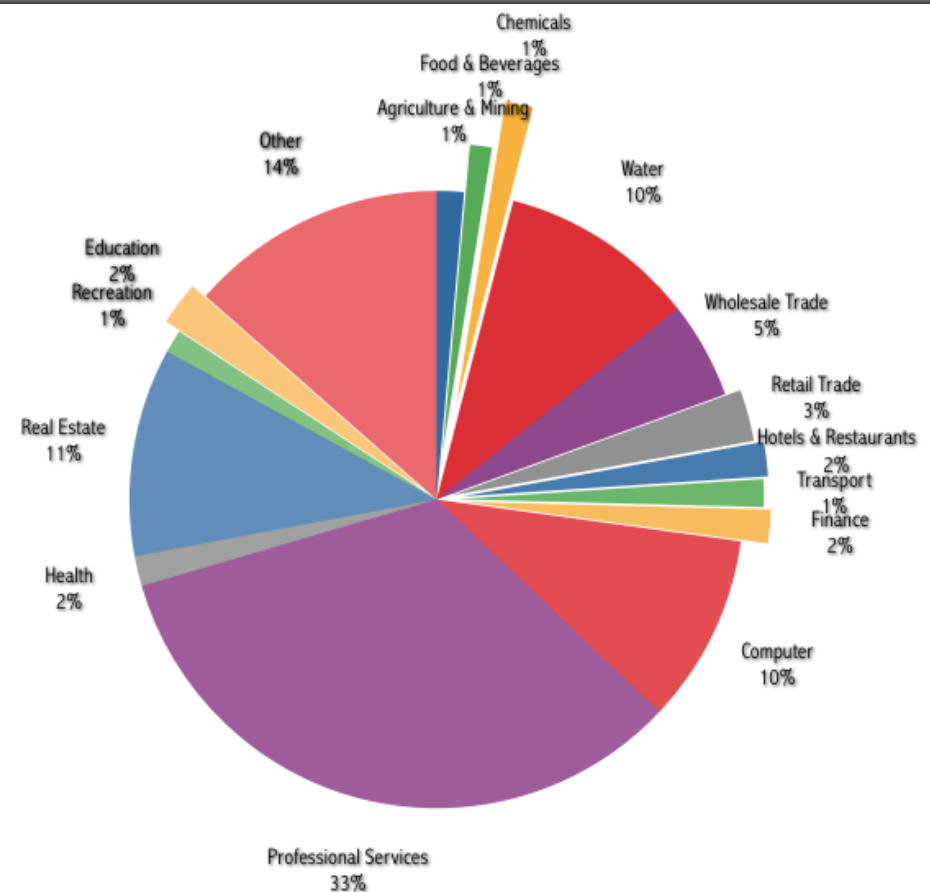
28 May 2012

LLP Helpline 

- LLP is tax efficient model
- Compliance cost in LLP is minimum
- Liability of partners is limited

Who can go for LLP?

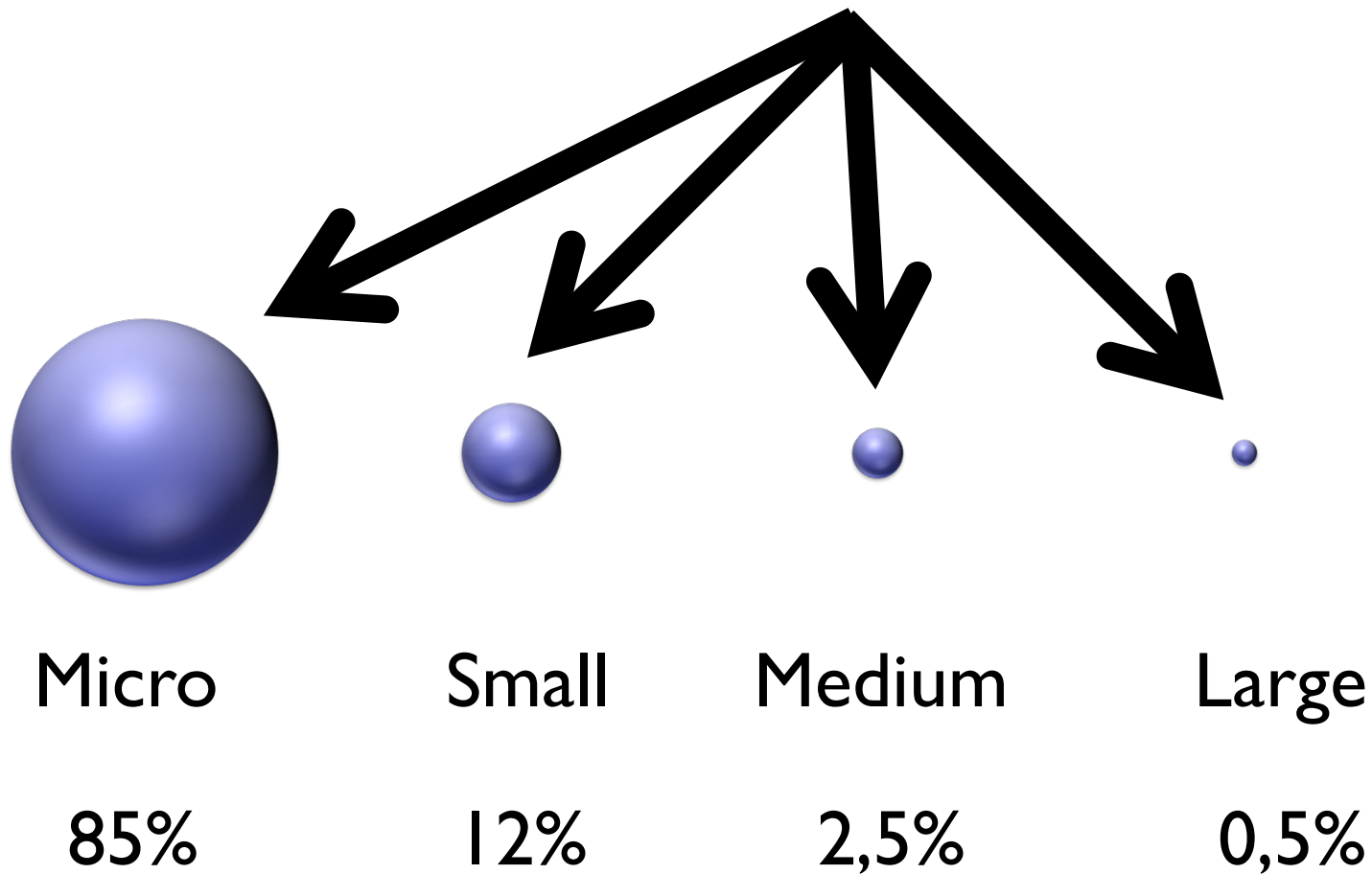
1. Service sector companies
2. Joint Venture entities
3. Real estate companies
4. All partnership firms with long term objective
5. Any existing SME Company



Corporate-Type

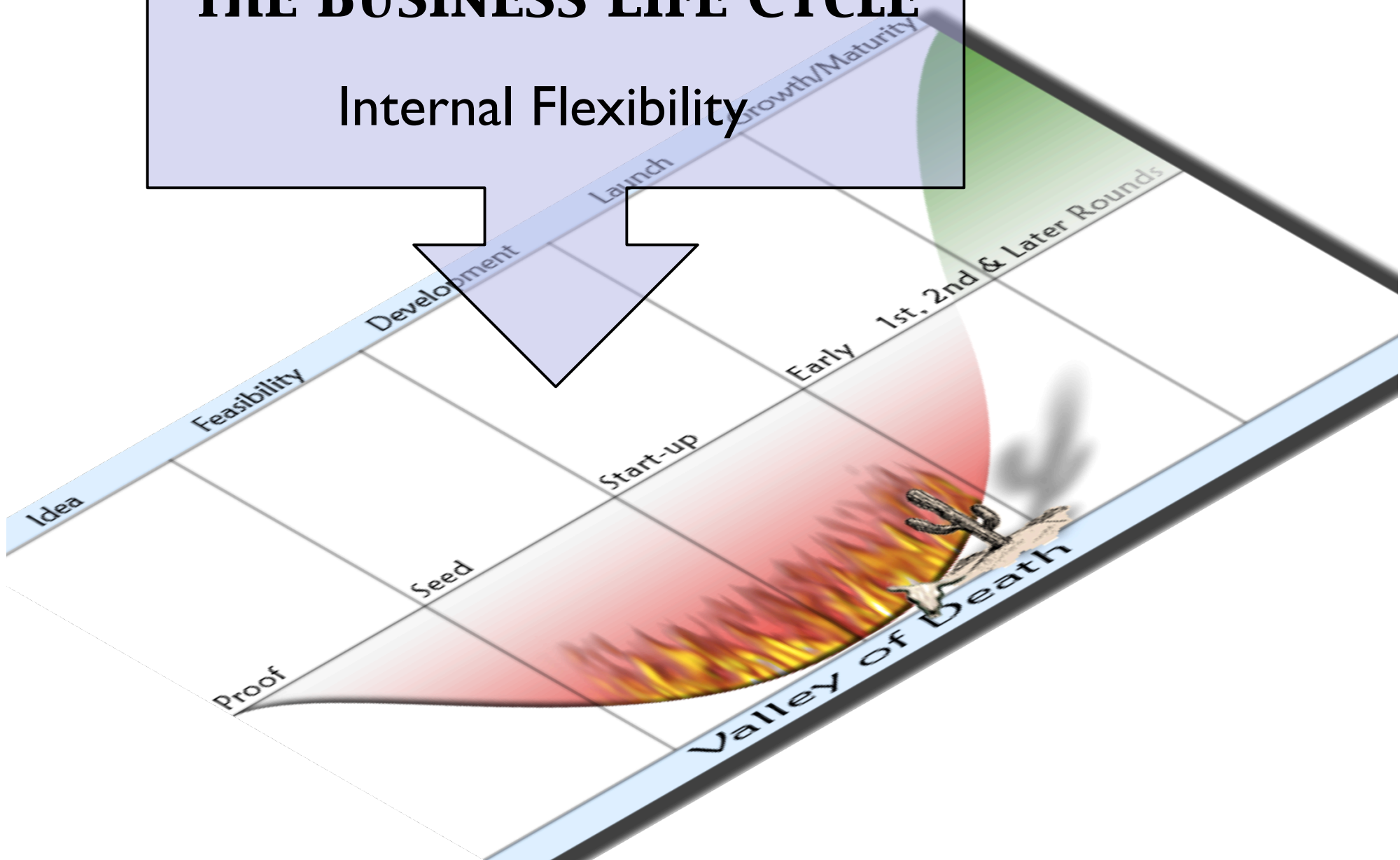
COLOMBIAN SAS

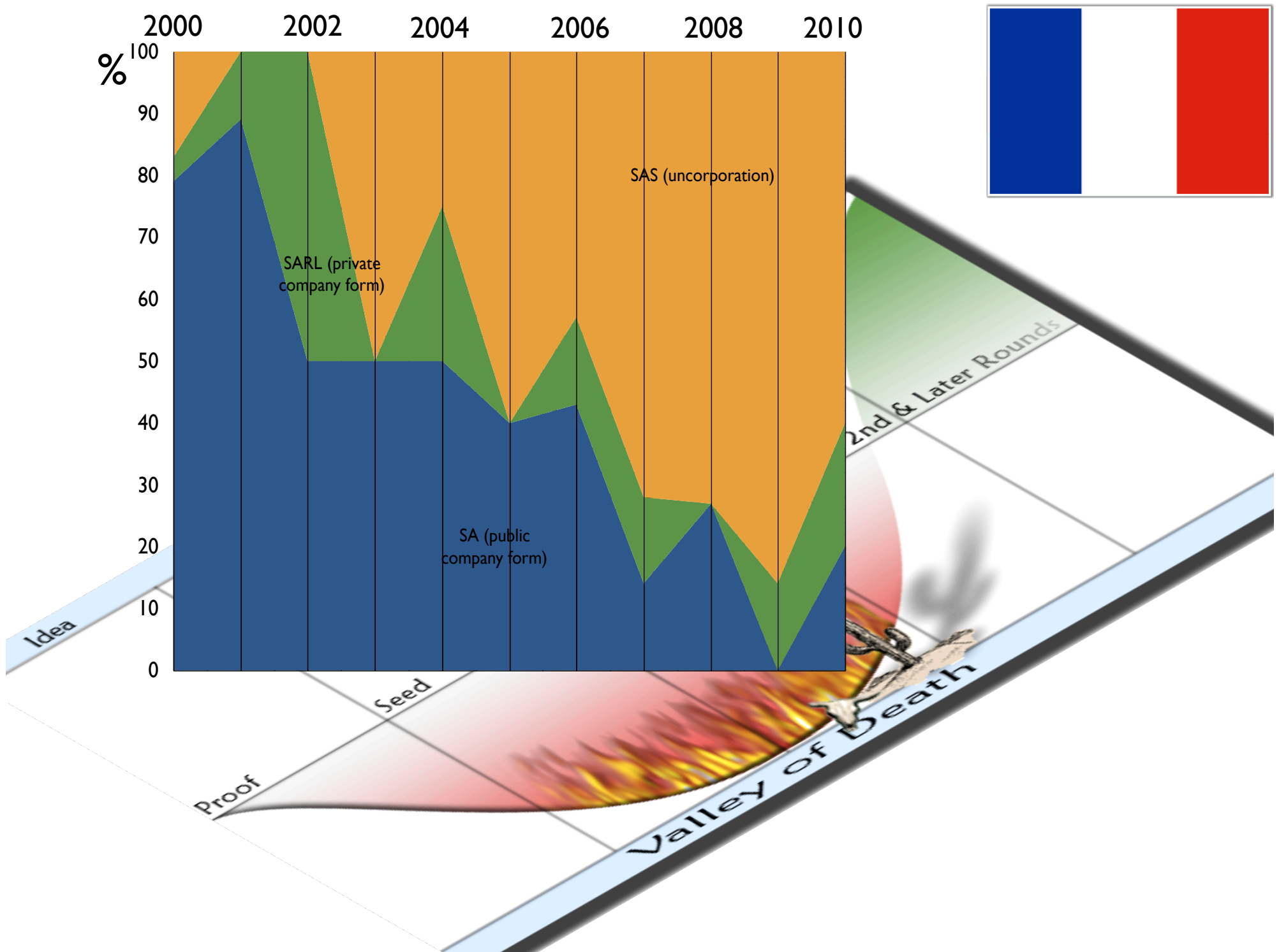
November 2012: **181,742**



THE UNCORPORATION AND THE BUSINESS LIFE CYCLE

Internal Flexibility



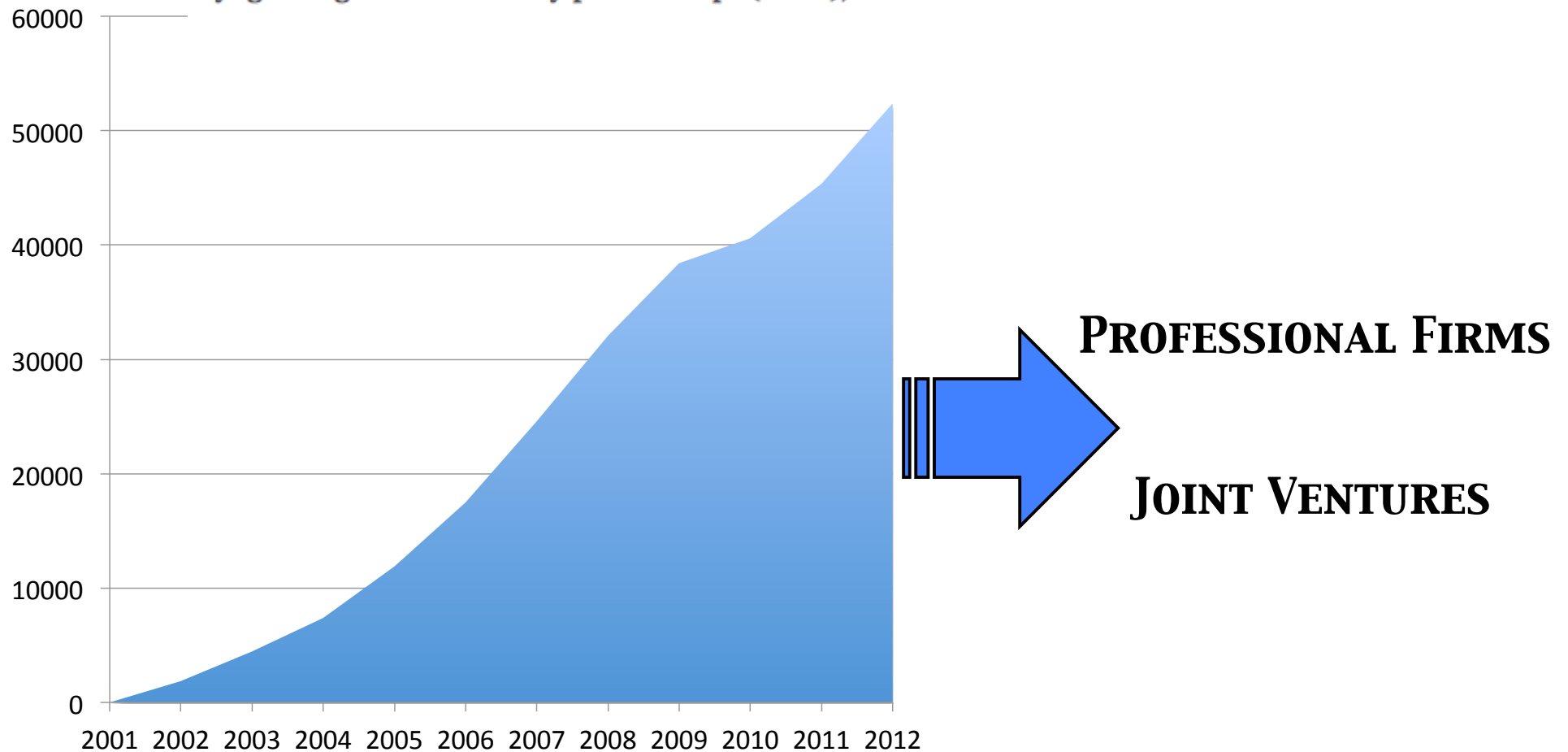


Telegraph

Small businesses "overlooking" LLP structure

11 April 2011

Small businesses could be missing out on a range of financial and motivational benefits by ignoring limited liability partnerships (LLPs), a law firm has claimed.

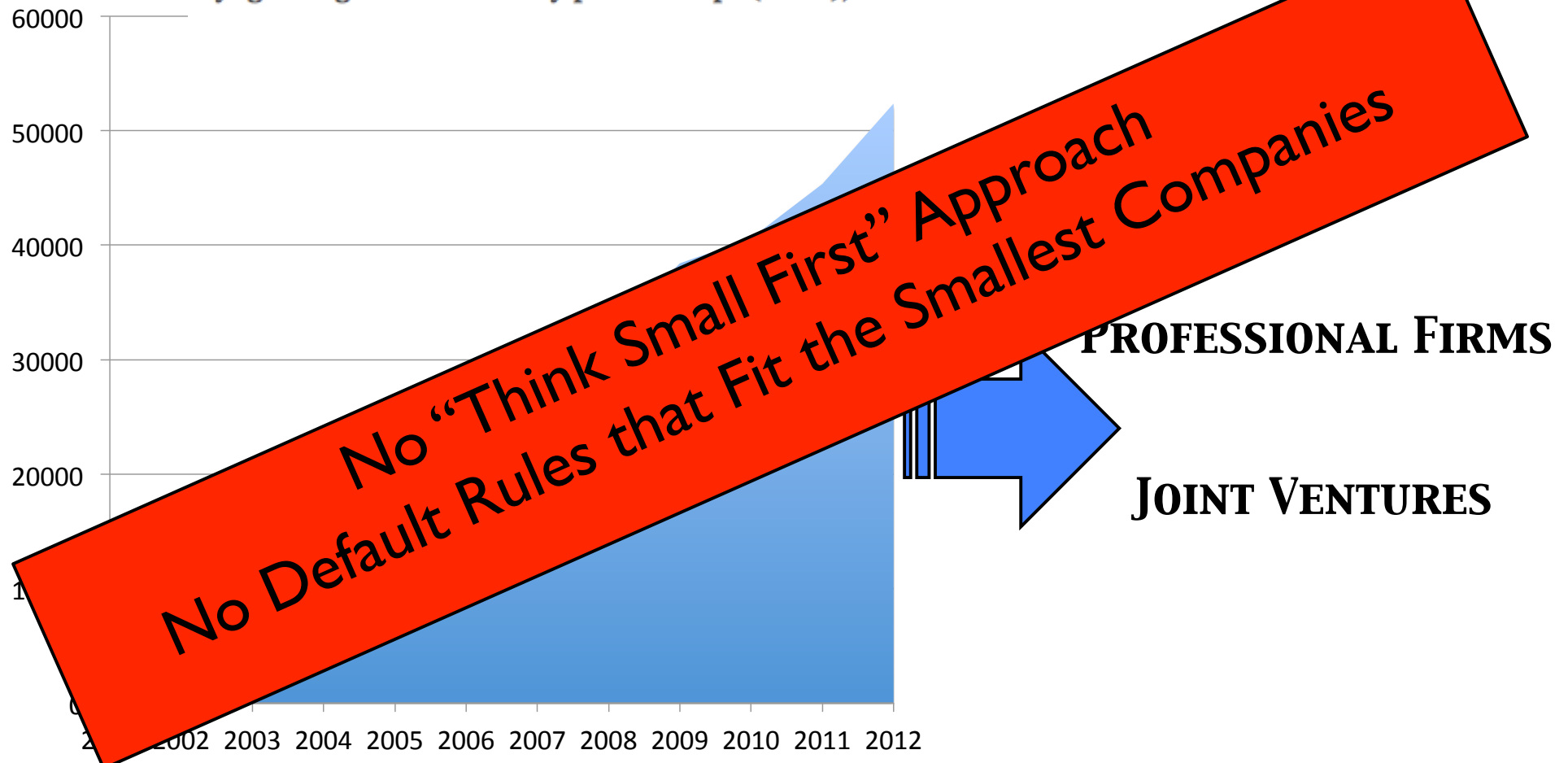


Telegraph

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ALL PURPOSE VEHICLE

Easy Access to Limited Liability

Conflict Resolution
“Contractual”

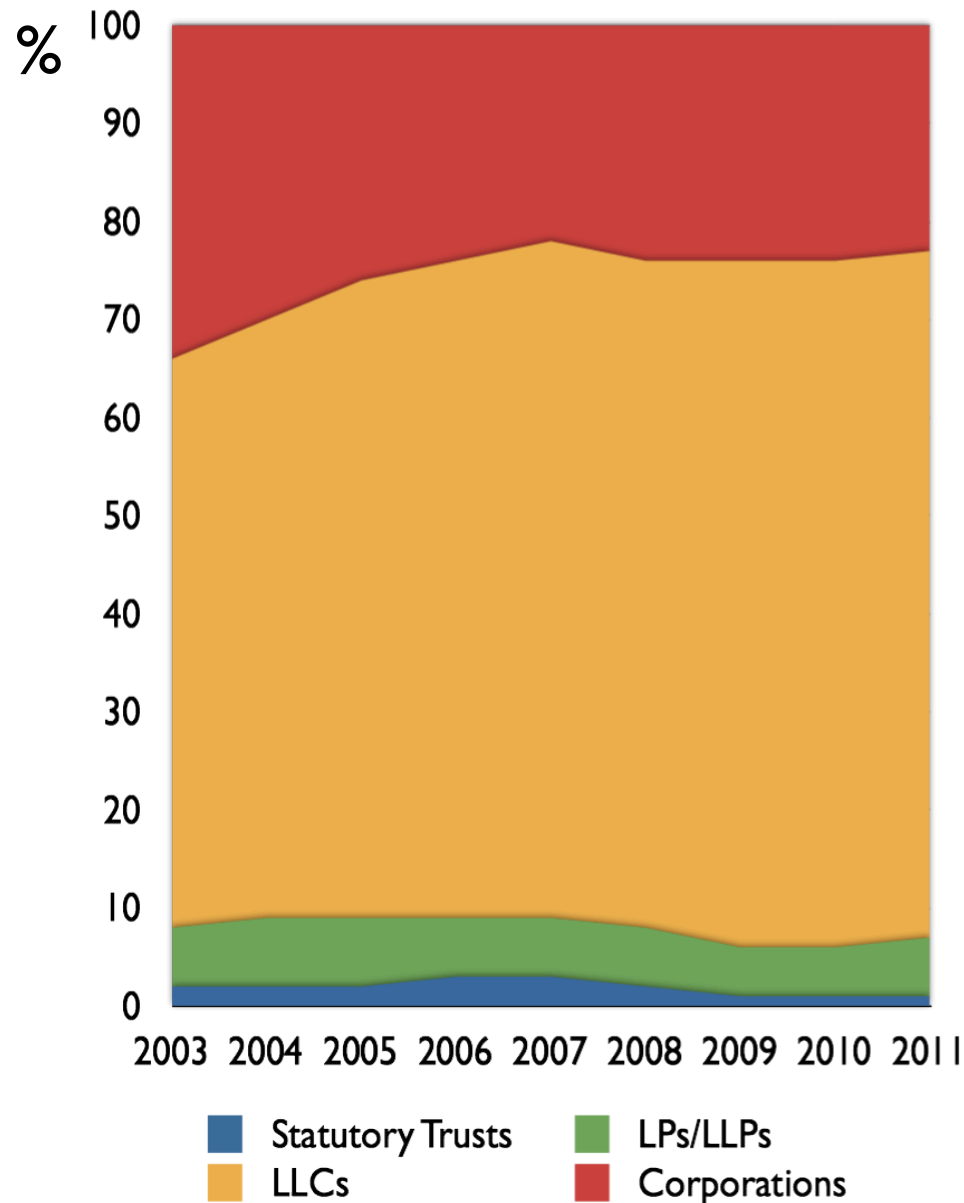


Legal Entity

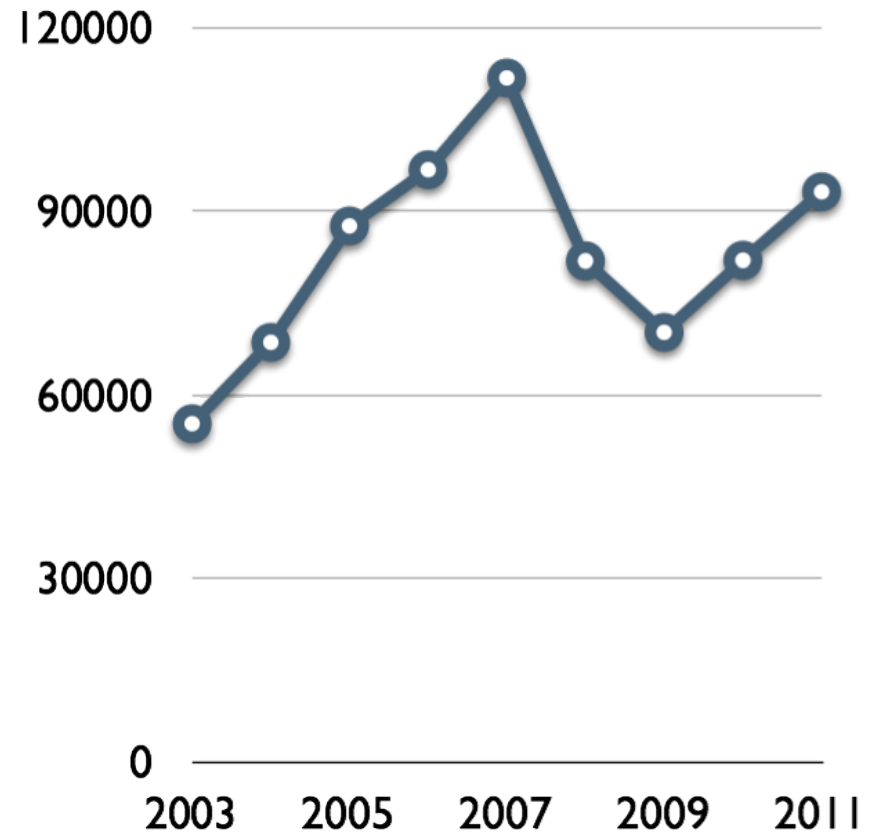
Contractual
Freedom

Check-the-Box
Tax System

THE SUCCESS OF THE UNCORPORATION IN THE UNITED STATES



US-LLC Formations in Delaware





Easy Access to Limited Liability

Conflict Resolution
“Contractual”

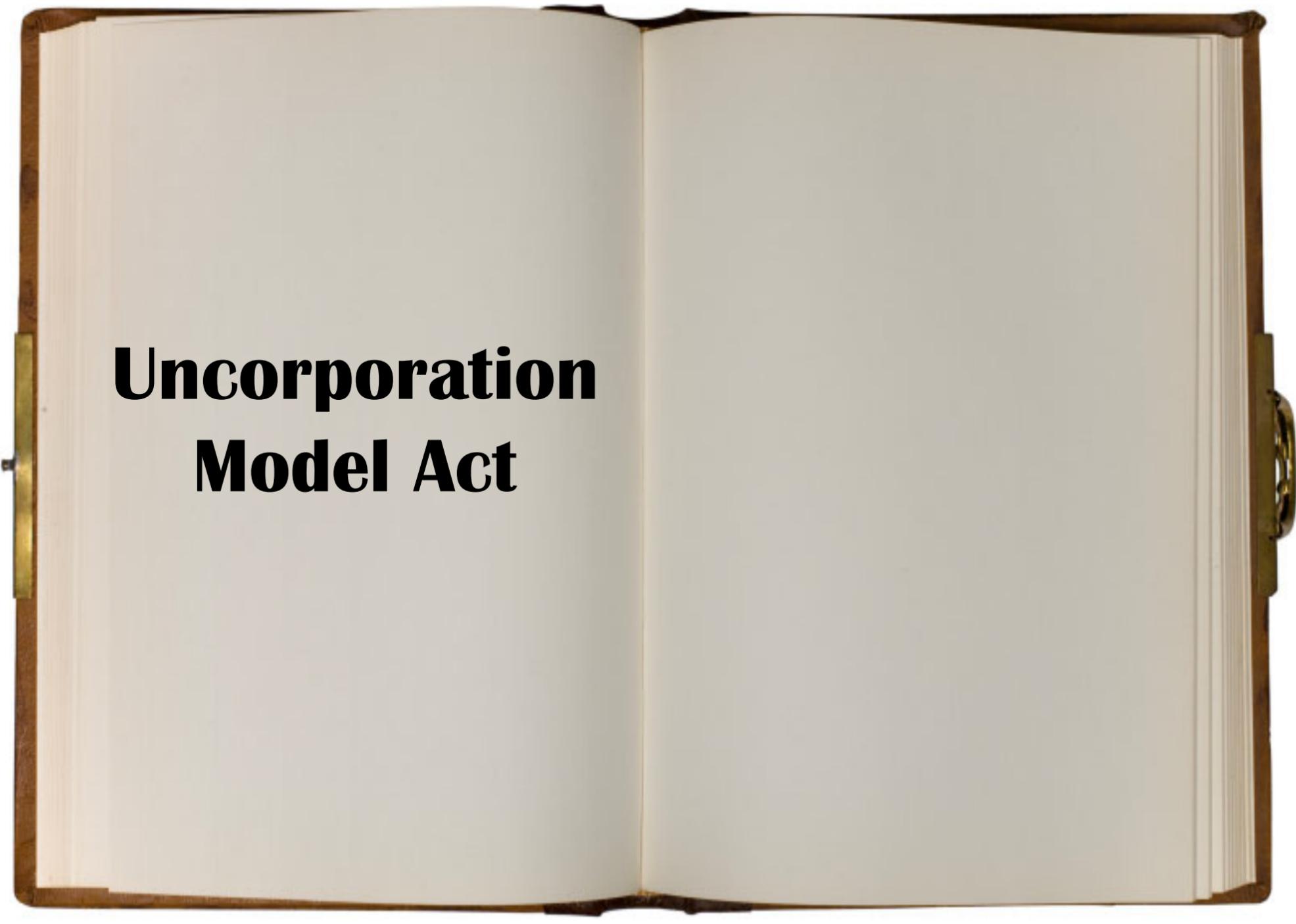
**SPECIALIZED
LAWYERS
BUSINESS COURTS
“LEGAL UNCERTAINTY”**

LLC

Legal Entity

Contractual
Freedom

Check-the-Box
Tax System



**Uncorporation
Model Act**

Uncorporation Model Act

- (1) Think Small First
& Self-Enforcing
- (2) Accelerates Legal
Development &
International
Coordination
(India-Example)
- (3) Harmonizing Effect
- (4) Facilitates
International
Trade
- (5) Stimulates Foreign
Direct Investment



THERE IS ONE MORE THING

We also LOVE the
UNCORPORATION!!!

Cheap!!
Legal Entity!!!
Limited Liability!!

Conceals the
identity of
beneficial
owners



Money laundering and
other illicit activities

Economic growth and
job creation





UNCORPORATION



The Financial Task Force

BEST PRACTICES PAPER

SHARING AMONG DOMESTIC
COMPETENT AUTHORITIES
INFORMATION RELATED TO
THE FINANCING OF PROLIFERATION

February 2012

Information-Sharing - Web-based

Tax Authorities

Chambers of
Commerce

Financial / Legal
Intermediaries

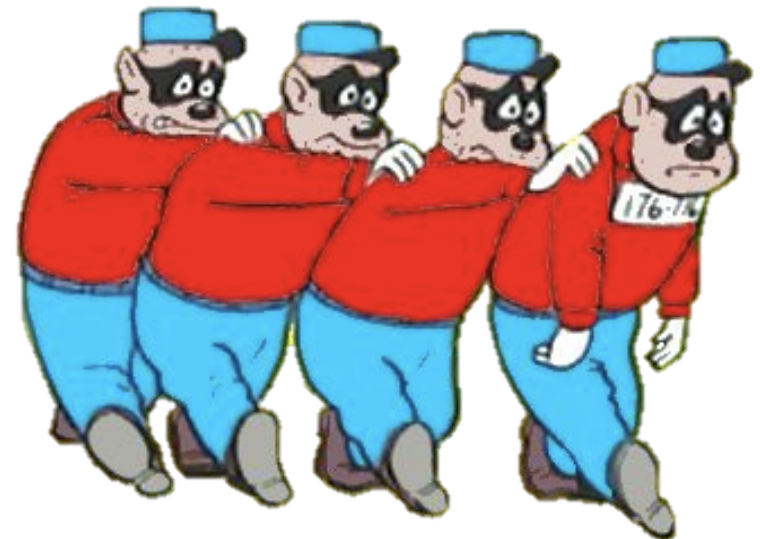
Supervisory
Agencies



SUCCESS

Default Rules
Easy, Simple, Cheap

UNCORPORATION



“The economic historian of the future may assign to the nameless inventor of the principle of limited liability, as applied to trading corporations, a place of honour with Watt and Stephenson, and other pioneers of the Industrial Revolution.

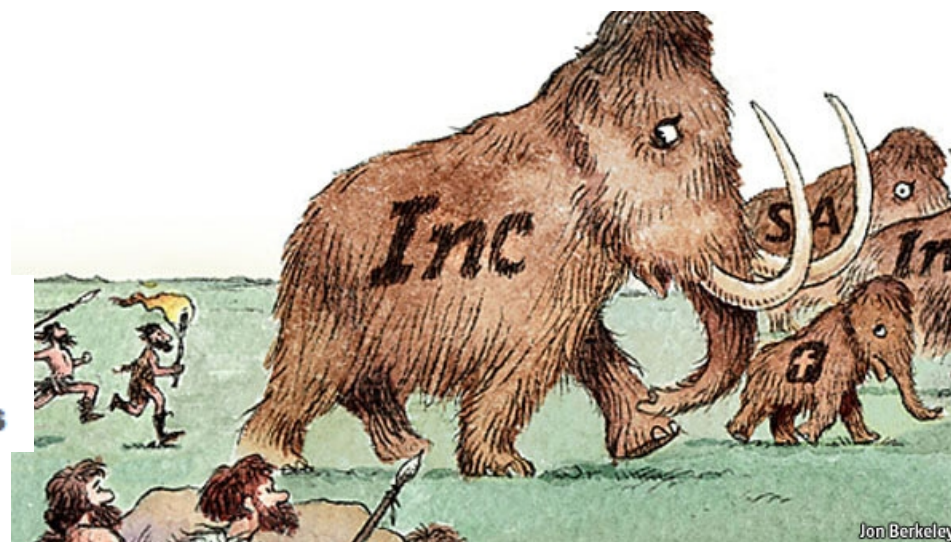
The Economist 1926

“The economic historian of the future may assign to the nameless inventor of the principle of limited liability, as applied to trading corporations, a place of honour with Watt and Stephenson, and other pioneers of the Industrial Revolution.

The Economist 2012

The endangered public company

The rise and fall of a great invention, and why it matters



“The IPO crisis has coincided with a boom in other corporate life forms.” “The result has been a revolution: one-third of America’s tax-reporting businesses now classify themselves as partnerships. They have adopted exotic forms of corporate organisations.”



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<http://ssrn.com/abstract=2200783>

Thank you!

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