



EL SALVADOR



# REFORMS TO THE COMMERCIAL CODE

On December 13, 2023, the Official Gazette published Decree No. 905, which reforms the Commercial Code to encourage legalizing the economy's informal sector and reinvigorate micro and small businesses.



Such reforms will become effective on **February 11, 2024**.

## SIGNIFICANT REFORM

1

**The introduction of a new form of company: the Simplified Share Companies (SAS)** provision facilitates the incorporation of a company by a single person (natural or legal). Such corporation may be modified, transformed, dissolved, or liquidated without a public deed, using forms provided by the Commercial Registry.

- The share capital for the constitution of the SAS will be fixed by the shareholder(s), establishing it freely, starting with a minimum amount of \$1, and the shareholders will be liable up to the value of their commitments.
- The shares of the SAS may not be registered in any Public Stock Registry or traded on the Stock Exchange. Consequently, the shares of these companies may not adopt the nature of electronic annotations of book-entry securities.
- The legal representative of the SAS will be a natural person but need not be domiciled in El Salvador, and the appointment of an internal or external auditor or supervisory board will not be mandatory for those SAS considered as microenterprises according to current legislation.
- Any existing company may adopt the SAS structure by transformation or merger, using a resolution of the general meeting or whoever in its articles of incorporation has been designated for such purposes and by registering the appropriate form in the Commercial Registry.
- The SAS may be dissolved due to the expiration of the term anticipated in the form, the impossibility of carrying out activities stated in its corporate purpose, for causes contemplated in the articles of incorporation, or at the will of the shareholders, among others.

2

**A Salvadoran company that merges with a foreign company must file the merger agreement with the Registry of Commerce.** If the merger results in a local company becoming subject to foreign legislation, the Salvadoran company must solicit the Registry to cancel its registration.

3

**Incorporation of new requirements to make it easier for foreign companies to establish their domicile in El Salvador.**

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[www.blplegal.com](http://www.blplegal.com) [info@blplegal.com](mailto:info@blplegal.com)

