## What Is a Limited Liability Company (LLC)?

A limited liability company (LLC) is a business structure in the U.S. that protects the assets of its owners from lawsuits and creditors concerned with the company's business debts.

Limited liability companies are hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship.

While the limited liability feature is similar to that of a corporation, the availability of pass-through taxation to the members of an LLC is a feature of a partnership rather than an LLC.

## What Is a Limited Liability Company?

A limited liability company, commonly referred to as an LLC, is a type of business structure commonly used in the U.S. LLCs can be seen as a hybrid structure that combines [features of both a corporation and a partnership](https://www.investopedia.com/ask/answers/052515/can-limited-liability-company-llc-issue-stock.asp). Like a corporation, LLCs provide their owners with limited liability in the event the business fails. But like a partnership, LLCs pass their profits to members so that they are taxed as part of each member’s personal income

## What Are LLCs Used for?

The LLC has two main advantages:

* It prevents its owners from being held personally responsible for the debts of the company. If the company goes bankrupt or is sued, the personal assets of its owner-investors cannot be pursued.
* It allows all profits to be passed directly to those owners to be taxed as personal income. This prevents the double taxation of both the company and its individual owners.

## What Are Some Examples of LLCs?

LLCs are more common than many realize. Alphabet, the parent company of Google, is an LLC, as are PepsiCo Inc., Exxon Mobil Corp., and Johnson & Johnson.

[LLCs can include sole proprietorship LLCs](https://www.investopedia.com/sole-proprietorship-vs-llc-8627981), family LLCs, and member-managed LLCs.

Many physicians' groups are registered as LLCs. This helps protect the individual doctors from personal liability for medical malpractice awards.

## Are Limited Liability Companies Taxed Differently Than Corporations?

Yes. In the case of a corporation, profits are first taxed at the corporate level and then taxed a second time once those profits are distributed to the individual shareholders. This double taxation is decried by many businesses and investors.

Limited liability companies, on the other hand, allow the profits to be passed directly to the investors so that [they are taxed only once](https://www.investopedia.com/articles/personal-finance/120915/which-type-organization-best-your-business.asp), as part of the investors’ personal income

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| KEY TAKEAWAYSThe [limited liability](https://www.investopedia.com/terms/l/limitedliability.asp) company (LLC) is a corporate structure that protects its owners from being personally pursued for repayment of the company's debts or liabilities. Regulation of LLCs varies from state to state.-Any entity or individual can be a member of an LLC with the notable exceptions of banks and insurance companies.-LLCs do not pay taxes on their profits directly.- Their profits and losses are passed through to members, who report them on their individual tax returns. |

## Understanding a Limited Liability Company (LLC)

Limited liability companies are permitted under state statutes, and the regulations governing them vary from state to state. Generally, LLC owners are called members.

Many states don't restrict ownership, which means that anyone can be a member. That includes individuals, corporations, foreigners, foreign entities, and even other LLCs. Some entities, such as banks and insurance companies, are prohibited from forming LLCs.1

An LLC is a formal business arrangement that requires [articles of organization](https://www.investopedia.com/terms/a/articles-of-organization.asp) to be filed with the state. An LLC is easier [to set up](https://www.investopedia.com/best-llc-filing-companies-5113499) than a corporation and provides more flexibility and protection for its investors.

LLCs may elect not to pay federal taxes directly. Instead, their profits and losses can be reported on the personal tax returns of the owners. Or, the LLC may choose to be classified as a corporation for tax purposes.

If fraud is detected or if an LLC fails to meet its legal and reporting requirements, creditors may be able to go after the members.

LLCs should not be confused with an [Unlimited Liability Corporation (ULC)](https://www.investopedia.com/terms/u/ulc.asp), which is a corporate structure allowed in certain countries and in some Canadian provinces.

The wages paid to LLC members are deemed operating expenses and are deducted from the company's revenue.

## Forming an LLC

**1.** Although the requirements for LLCs vary by state, there are generally some commonalities. The very first thing owners or members must do is to choose a name.

**2.** Then, articles of organization can be completed and filed with the state to [establish the LLC](https://www.investopedia.com/how-to-start-an-llc-8631304). This document can provide basic information about the LLC, the names and addresses of the LLC members, the name of the LLC's registered agent, and the statement of purpose for the business.

The articles of organization are filed with the state in which the LLC is formed, along with a fee paid directly to the state. Paperwork and additional fees must also be submitted at the federal level to obtain an [employer identification number (EIN)](https://www.investopedia.com/terms/e/employer-identification-number.asp).

**3.** An LLC [operating agreement](https://www.investopedia.com/terms/l/llc-operating-agreement.asp) will lay out the operational and financial decision-making roles and duties of members. It will state just how profits are to be distributed.

It is the contract between all members of the LLC and provides all details about the LLC's structure and important business functions.

Normally, this internal document remains with the LLC and isn't distributed externally.

**A registered agent is a company that an LLC hires to manage the various legal and government correspondence sent to the LLC so that it can be sure to comply with state regulations***.*

## Benefits of an LLC

* An LLC provides its members with limited personal liability relating to the company's business debts.
* It is fairly easy to organize and get up and running.
* It offers the flexibility to opt for pass-through taxation or to elect corporate taxation (as an S Corporation or C Corporation).
* Its pass-through taxation prevents double taxation—that is, paying taxes twice, once on LLC profits and then again, on profits that individual members receive.
* Many business expenses can be written off as business deductions, thus lowering taxable income; these deductions are taken on the LLC or personal return (depending on the taxation method chosen, corporate or pass-through).
* An LLC can be run by its members or members can hire a manager to handle day-to-day affairs. Some members may choose to be more or less involved than others.
* The LLC designation can lend greater credibility to a sole proprietorship or partnership.
* Less record-keeping is required compared to corporations, which means greater focus can be maintained on the goals of the business.

## Drawbacks of an LLC

* Depending on state law, an LLC may have to be dissolved upon the death or bankruptcy of a member. A corporation can exist in perpetuity.
* If the LLC opts for pass-through taxation, members must pay self-employment taxes in addition to personal income taxes.
* Unless the Operating Agreement is properly conceived, executed, and understood by all, there's the risk that roles and responsibilities may not be clearly understood.
* There can be penalties, as stated in the Operating Agreement, for failing to make capital contributions.

**An LLC may not be a suitable option if the founder's ultimate objective is to launch a publicly traded company.**

## LLC vs. Partnership

The primary difference between a partnership and an LLC is that an LLC separates the business assets of the company from the personal assets of the owners, insulating the owners from the LLC's debts and liabilities.

Both LLCs and partnerships are allowed to pass through their profits, along with the responsibility for paying the taxes on them, to their owners.Their losses can be used to offset other income but only up to the amount invested by a member.

If the LLC has organized as a partnership, it must file [Form 1065](https://www.investopedia.com/terms/f/form-1065.asp). (If members have elected to be treated as a corporation, Form 1120 is filed).

With an LLC, a business continuation agreement can be used to ensure the smooth transfer of interests when one of the owners leaves or dies. Without such an agreement in place, the remaining partners must dissolve the LLC and create a new one.

## The Bottom Line

LLCs are important legal structures for forming a business. Limited liability means that the assets and debts of the business remain separate from the personal assets and debts of the LLC's owners.

In most cases, if an LLC goes bankrupt, creditors can only go after the assets of the business and not of the owners.

LLCs also have several other beneficial features including simplified taxation and a relatively straightforward formation process. This is part of the reason why LLCs are the most common type of business in the U.S.

These types of companies are available for a startup:

**Branch office**: For a foreign company, only a representative office or liaison office is allowed to be opened. A Branch Office is prohibited by the Algerian government. As for the representative office, it is not allowed to conduct any business in Algeria except for the management of the interests of the company and its subsidiaries.

As a local company in Algeria, the following are some of the alternatives –

**Company in Collective Name** (Societe en Nom Collectif) – This is also known as a partnership entity. It must have a minimum of 2 partners. There is no minimum capital requirement.

**Simple Limited Partnership** ( Societe en Commandite Simple) – This is also a partnership company with 2 types of partners. One is known as an Active partner who is responsible for the running of the company. This partner is also jointly and severally responsible for all the company’s debts. The other partner is a limited partner. As its name implies, this partner’s debt liability is only up to his/her shareholding in the company. This person doesn’t run the business and is sometime known as a ‘sleeping partner’.

**Limited liability company** (Societe a Responsibilite Limitee) – This is the most common form of business registered. The requirements for this company are that it must have a minimum paid up capital of 100,000 Algerian Dinars which is divided into 1,000 Dinars per share.

It must also have at least 1 shareholder and 1 director. If a foreign company is one of its shareholders, it can only hold a maximum of 49% shares. The balance 51% must be held by an Algerian. If the share capital is more than USD 120,000, there is no need to have audited statements of the accounts.

**Limited liability Uni-personal Company** (Entreprise Uni-personelle a Responsibilite Limitee) – This is also known as a sole proprietor company.

Joint stock company – For this type of company, there must be at least 7 shareholders and they are limited to capital contribution only. There must be a minimum of 5 million Dinars as share capital if it solicits deposits from the public. Otherwise the share capital is a minimum of 1 million Dinars. The company will be managed by a Board of Directors.

**How To Register An Algerian Company**

**Below is the procedure of registering a company in Algeria:**

Check the availability and uniqueness of the company name from the Centre National du Commerce (CNRC) or The Commercial Registry. The company is also required to pick up the necessary registration forms. The applicant company must then fill out the form, list 4 proposed company names and pay the fees for the search. The Commercial Registry will then check the name and issues the certificate on the same day. The cost for this process is 576 Dinars. In actual fact, the uniqueness of the company name can be checked and registered online. However, most applicants will still do it in person at the CNRC.

The start-up capital must be deposited with a bank. The applicant company will get a deposit certificate after doing so. This is expected to take about 1 day and there are no charges involved.

The birth certificate of the manager must be obtained and notarized. This will take 1 day.

The company’s constitution documents must be set-up and notarized. These documents must then be submitted together with a specimen of the manager’s signature. A copy of the lease for the registered office must also be submitted. All of this is done at a notary’s office and there are some fees to be charged. The fee depends on the company’s capital and is calculated as below –

* 5% if the company’s capital is between 1 Dinar – 200,000 Dinar
* 1% if the company’s capital is between 200,001 Dinars to 300,000 Dinars
* 0.7% if the company’s capital is between 300,001 Dinars to 400,000 Dinars
* 0.6% if the company’s capital is between 400,001 Dinars to 500,000 Dinars
* 0.5% if the company capital is 500,001 Dinars to 1 million Dinars and above.

The applicant company will then need to publish the company’s constitution in a legal journal i.e. the Bulletin of Legal Announcements It charges 48 Dinar per line and normally takes 1 day.

The applicant company will file the company registration with the CNRC within 2 months of company formation. The registration fees are –

* 9,120 Dinars if the company capital is between 30,001 Dinars to 100,000 Dinars
* 9,520 Dinars if the company’s capital is between 100,001 Dinars to 300,000 Dinars
* 9,760 Dinars if the company’s capital is more than 300,000 Dinars

The company must then pay the stamp duty and obtain a receipt. This must be paid to the Tax Authority and CNRC. This takes 1 day and cost 4,000 Dinar.

Register for Income Tax and Value Added Tax (VAT). This must be done with the Tax Authority. After registration, the Tax Authority will issue a certificate of existence and a tax card within 2 to 5 days.

The company must register for Caisse Nationale des Assurances Sociales des Travailleurs Salaries (CNAS). This is the National Social Security and it’s mainly for the company’s employees.

Make a company seal – The cost of the seal will depend on the quality required.

Accounting books to be stamped in court – The accounting and inventory books must be stamped in court. The cost is 2,000 Dinars per book of which there must be 4 in total.

Our information will help to know how to register a limited liability company in Algeria as a foreigner (LLC registration or joint stock). Do not hesitate to contact us for any assistance in registering a new business in Algeria under the guide of foreign direct investment (FDI) policy.