The Corporate Form of Business and the Company Registration Procedure

Orientation Session for the students of Pakistan Institute of Developments Economics

Presented by

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1) Forms of business: Sole proprietorship; Partnership; Company: Relative Nature – A Quick Review

2) Why is Company Form Preferable to Other Alternatives - A Quick Review

3) Corporatization Statistics

4) Cost of making a company

5) Time period for registration of a company

6) Applicable Legal Framework

7) The Role of Company Registration Offices

8) Company Registration Process: A Pictorial Glimpse
9) Company Registration Process: Two Fundamental Stages
10) Other Corporate Forms: Associations-Not-For-Profit and Foreign Companies
11) Convenient procedure to close an inactive Company
12) Glories accomplished over recent years
13) Another Standout Initiative in hands: The Concept of “One-Stop-Shop”
14) Corporate consultancy: An under-tapped profession
15) Thanks.
Forms of business: Sole proprietorship; Partnership; Company: Relative Nature – A Quick Review (Page 1 of 2)

- **Sole proprietorship**
  - A one man business concern,
  - Natural person with unlimited liability
  - Small scale of operations and rigid clientele
  - Difficulty in obtaining financing from banks

- **Partnership**
  - A minimum Bi-Partner business concern,
  - Natural persons with unlimited liability
  - Small scale of operations with generally rigid clientele
  - Financing from banks on unfriendly terms
Forms of business: Sole proprietorship; Partnership; Company  (Page 2 of 2)

- **Company**
  - Multi-member business concern; From one to unlimited number, depending up the nature of company
  - Artificial person with limited liability
  - Suitable for medium to large scale operations
  - Open to a wide variety of clientele
  - Relative convenience in obtaining financing from banks
Why is Company Form Preferable to Other Alternatives - A Quick Review (Page 1 of 2)

- Artificial person means the corporate name can execute business contracts
- Limited liability brings the peace of mind for the members and directors that banks and creditors can not require their personal assets to be liquidated if the entity suffers losses
- Sufficiency of funds as banks prefer loaning to companies
- General public trusts the Company form over other forms of business
- Eligibility to offer tender to Government Departments as well as a number of other companies which deal with corporates
Luxury to think out of the box as the volume of operations can be quickly expanded to grab on new opportunities, through leveraging available on relatively convenient terms.

Consistent with economy documentation objectives.

Specialist statute in place which provides standard guidance on every area.
## Corporatization Statistics: April 30, 2015

<table>
<thead>
<tr>
<th>Nature of Company</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Companies</td>
<td>60,000</td>
</tr>
<tr>
<td>Public Companies - Listed</td>
<td>560</td>
</tr>
<tr>
<td>Public Companies – Unlisted</td>
<td>2,300</td>
</tr>
<tr>
<td>Other Companies</td>
<td>4,140</td>
</tr>
<tr>
<td><strong>Total Register as on April 30, 2015 (approx.)</strong></td>
<td><strong>67,000</strong></td>
</tr>
</tbody>
</table>
Cost of making a Company: Online and Offline Application (Rs.)

<table>
<thead>
<tr>
<th>Nature of Company</th>
<th>Minimum Cost: Online incorporation</th>
<th>Minimum Cost: Offline incorporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Limited</td>
<td>Rs. 4,500</td>
<td>Rs. 10,000</td>
</tr>
<tr>
<td>Public Limited</td>
<td>Rs. 5,700</td>
<td>Rs. 13,000</td>
</tr>
</tbody>
</table>

*The fee structure varies for application made under Fast Track Registration Service, and for other certain specific types of companies (a Section 42 Company, a Foreign Company, a guarantee limited company etc.)*
## Time period for registration of a company

<table>
<thead>
<tr>
<th>Incorporation application under</th>
<th>Time period required for issuance of incorporation certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Track Registration Service</td>
<td>4 working hours</td>
</tr>
<tr>
<td>Normal mode</td>
<td>3 working days</td>
</tr>
</tbody>
</table>
Applicable Legal Framework for and after Company Incorporation

- Companies Ordinance, 1984
- Companies (General Provisions and Forms) Rules, 1985
- Companies (Registration Office) Regulations, 2003
- Single Member Companies Rules, 2003
Company Registration Process: A Pictorial Glimpse

1. Application for availability of company name
2. Application for incorporation of company
3. Certificate of company registration
Company Registration Process:
Two Fundamental Stages

FIRST STAGE: Availability of Name
SECOND STAGE: Documentation

PUBLIC COMPANIES:
- Memorandum and Articles of Association.
- Form – I (Declaration of compliance with the requirements of the Companies Ordinance,1984)
- Form – 21 (Notice of situation of registered office or of any change therein)
- Form – 29 (Particulars of directors or any change therein).
- Form -27 (list of directors consenting as directors).
- Form -28 (Consent of directors).
- Copies of CNIC (in case of foreigners, copies of Passport) of promoters and witness to Form 1 and M& AOA.
- Fee Challan

PRIVATE COMPANIES:
- As for public companies except Form-27 & Form-28

SINGLE MEMBER COMPANIES:
Additional Form
- Form - S1(Appointment of nominee director)
The Role of Company Registration Offices (CROs):

- The CROs are the public face of the Securities and Exchange Commission
- Frequent & routine interaction with general public, their consultants, Government offices and other stakeholders.
- The functions performed by CROs include:
  - Incorporation of companies
  - Maintaining database of statutory documents of a Company
  - Review and appraisal of the fitness of statutory document for recording
  - Recording the statutory documents
  - Affording inspection of company files – available to all
  - Issuance of certified copies of statutory documents
  - Interaction with court, Government Departments and other stakeholders
Other Corporate Forms: Associations Not-For-Profit

- These companies are meant to promote commerce, art, science, religion, sports, social services, charity and other useful objects.
- These companies obtain license from SECP under Section 42 of the Ordinance subject to payment of prescribed fee.
- Incorporation requirements.
  - As for public company.
Other Corporate Forms: Foreign Companies

- Companies incorporated or formed outside Pakistan which establish a place of business within Pakistan
- Prior approval of Board of Investment is required
- Relevant Provisions:
  - Part XIV of the Companies Ordinance, 1984 (Sections 451-460)
  - The Companies (General Provisions and Forms) Rules, 1985
Commencement of Business

- Private company can commence business after obtaining certificate of incorporation.
- Public company shall obtain a commencement of business certificate from the registrar after fulfilling some laid down requirements.
How to close a Company: Convenience offered by CEER 2014

- A dormant company can now be closed under Company Easy Exit Regulations, 2014 (CEER, 2014), provided that it has no loan and meets some other conditions.
- The requirements are easy to comply with.
- Registrar, if satisfied, would proceed under Section 439(3) for gazette notification of name of the company for striking off.
- Finally, name would be struck off the register under Section 439(5).

*Company, conventionally can be wound up by court, voluntarily by members or under the supervision of court.*
Glories accomplished over recent years

- Auto-population on On-line incorporation forms
- Fast Track Registration Services
- eServices
- Co. Registration & Compliance System
Another Standout Initiative on the verge of being launched: The “One-Stop-Shop” Concept

- Once implemented, business registration, tax registration and the EOBI registration will be carried out through single web portal
- More than 50 countries globally have launched this concept
- Reduction in turn-around time
- Process efficiency
Corporate Consultancy: A Seriously Formidable Profession:

- Economic corridor: With multi-billion dollar investment a rush for corporatization is expected.
- 67,000 companies vis-à-vis 2 million businesses.
- The field as a profession is novel and under-tapped.
- Professionally competent commerce people would be a convenient success.
- The graph of revenues is expected to rise as the corporatization number enhances.
THANKS