



Companies Act, 2017 (Introduction)

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History of Companies Law in Pakistan

- ▶ Since inception of Pakistan Companies Act, 1913 was implemented
- ▶ Based of development locally and internationally the regulator introduced Companies Ordinance, 1984 by repealing Companies Act, 1913.
- ▶ After 33 years the Regulator introduced Companies Act, 2017 which repealed Companies Ordinance, 1984

History of Companies Law in Pakistan

- ▶ The New Act cater various shortcomings of the previous corporate regime as well as enlarge its scope by introducing new provisions and section in the Act to meet the corporate development.
- ▶ For e.g. Single member company, conversion of status of companies, digital innovation, facilitation on late filing of forms with the SECP voluntarily will not attract penal consequences etc.

The purpose of Companies Act, 2017

- ▶ Companies Act, 2017 regulates how corporations, investors, shareholders, directors, employees, creditors, and other stakeholders interact with each other
- ▶ It deals with the companies that are incorporated or registered under the Companies Act

The purpose of Companies Act, 2017

- ▶ The most crucial aspect of corporate law relates to raising capital for the business to operate i.e. through equity financing and debt financing.
- ▶ The Companies Act, 2017 is the longest and exhaustive piece of legislation ever in the parliamentary history of Pakistan comprising of 515 sections and eight schedules, and took almost 12 years in the making.

Characteristics of a Company

- ▶ Separate Legal Entity
- ▶ Limited Liability
- ▶ Perpetual Existence
- ▶ Common seal
- ▶ Transferability of shares
- ▶ Capacity to sue and be sued

Kinds and Type of Companies

- (i) Public unlisted Companies
 - (ii) Private Limited Companies
 - iii) Single Member Companies
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- (i) Company Limited by Shares
 - (ii) Company Limited by Guarantee
 - (iii) Unlimited Liability

Characteristics of Public Limited Companies

- ▶ Minimum three persons are required to form a public limited company.
- ▶ No restriction on maximum number of members
- ▶ No restriction on the transferability of shares.
- ▶ It may issue a prospectus to invite general public to subscribe to its shares, debentures or deposits

Characteristics of Public Limited Companies

- ▶ A public company can commence business only when it receives the certificate to commence business from the Registrar of Companies.
- ▶ A public company must hold a statutory meeting and file statutory report.

Characteristics of Private Limited Companies

- ▶ Minimum two persons are required to form a private limited company
- ▶ Maximum number of members is restricted upto 50
- ▶ The right to transfer shares is restricted as per Articles of Association of a company.
- ▶ Invitation to public to subscribe capital is prohibited

Characteristics of Private Limited Companies

- ▶ A private company may commence business immediately after receiving the certificate of incorporation.
- ▶ A private company need not hold a statutory meeting or file statutory report.

Incorporation of Companies with the SECP

- ▶ Obtaining of name clearance letter from the Office of the Registrar of Companies, Company Registration Office, of the proposed company (Form I)

Incorporation of Companies with the SECP

- Memorandum of Association (Sec 16) (Form II)
 - (i) Name of the Company
 - (ii) Domicile clause
 - (iii) Principal line of Business
 - (iv) Statement of Liability
 - (v) Authorized Capital

Incorporation of Companies with the SECP

- Articles of Association
 - (i) Holding of meetings
 - (ii) Appointment of Directors
 - (iii) Declaration of dividends
 - (iv) Appointment of Company Secretary
 - (v) Preparation of Financial Statements

Shares

- ▶ Meaning and definition : The capital of a company is divided into shares. A share is a movable property of a shareholder and he has the liberty to transfer his share in the manner prescribed by the Articles of Association.

- ▶ A share signifies the following:-
 - ❖ The interest of a shareholder in a Company
 - ❖ The liability of a shareholder in a Company
 - ❖ The right of a shareholder to transfer the shares

The main features of a Share

- ▶ A right to dividend
- ▶ A right to vote at meetings
- ▶ A right to receive assets on liquidation
- ▶ An obligation to subscribe further capital
- ▶ Vote, Speak and Participate in meetings
- ▶ A right to transfer the share in accordance with the Articles of Association

Directors

▶ Meaning and Definition of directors:

A company is an artificial person, invisible, intangible and existing only in the eyes of law. It has neither a mind or a body of its own. Hence, the business of a company is entrusted to humans/Directors. Directors have to act as agents of a company which delegates most of its powers through Memorandum and Articles of Association.

Directors

The shareholders entrust the management of the business of a company to their representatives who form the board of directors. The directors are responsible for the management of the company in the best manner possible.

Kinds of Directors

- ▶ Executive Directors
- ▶ Alternate Directors
- ▶ Non-Executive Directors
- ▶ Independent Directors
- ▶ Nominee Directors

Meetings and its kind

- ▶ Statutory meeting (*Sec 131*)

Public Company to hold a meeting within 180 days

- ▶ Annual General meeting (*Sec 132*)

Every Company to hold a meeting within 16 months

- ▶ Extra Ordinary General Meeting (*Sec 133*)

Any other meeting is called the EOGM

Meetings and its kind

▶ Statutory Meeting

- ▶ To be held within 180 days from commencement
- ▶ Or nine months from the date of incorporation
- ▶ Notice to be sent to the members 21 days before

Meetings and its kind

▶ Annual General Meeting

- ▶ AGM to be held within 16 months from Incorporation
- ▶ AGM 120 days from the date of close of financial year
- ▶ Notice to be sent to the members 21 days before the meeting

Resolutions

▶ Ordinary Resolution

Consideration of FS, Report of Auditors, Declaration of dividend, Election and appointment of directors, Appointment of Auditors.

▶ Special Resolution

Change of registered office, Alteration in Memorandum and Articles of Association, Change of Status of Company, Change of Name

Prescribed Forms

- ▶ Every Company registered under the Companies Act, 2017 is required to file various prescribed forms from time to time within the prescribed with the SECP.
- ▶ The most common forms are Form A, Form 29, Form 26, Form 3 and Form 3A

Prescribed Forms

- ▶ **Form A:** Annual Return, to be filed within 30 days from the AGM.
- ▶ **Form 29:** Particulars of directors, CEO, company secretary, CFO, auditors and legal advisors and change therein, filed within 14 days.
- ▶ **Form 26:** Special Resolution to be filed within 15 days.
- ▶ **Form 3:** Allotment of Shares to be filed within 45 days
- ▶ **Form 3A:** Change of more than 25% shareholding to be filed within 15 days

Winding Up and its modes

- ▶ Members Voluntary winding up
- ▶ Creditors Winding up
- ▶ Winding up by Court
- ▶ Role of a liquidator and its qualification

Regulators in Pakistan

- ▶ Securities & Exchange Commission of Pakistan
- ▶ SECP is the apex regulator which deals with Companies in Pakistan
- ▶ SECP regulates the corporate sector by overseeing regulatory compliance
- ▶ Implements regulatory measures to improve the corporate sector, ease of doing business and protects the right of minority shareholders

Regulators in Pakistan

- ▶ Pakistan Stock Exchange
- ▶ PSX facilitates the public companies to freely trade
- ▶ PSX regulates the listed companies affairs vis-à-vis holding of general meetings, introduce measures to safeguard the interest of shareholders.

Regulators in Pakistan

- ▶ Board of Investment
- ▶ BOI deals with foreign investment in Pakistan
- ▶ BOI grants Branch office and Liaison office permission of Foreign Companies in Pakistan
- ▶ BOI processes work visa application and visa renewal of non-resident persons intending to work in Pakistan.

Thank You