

Registration of Company in Pakistan

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Companies remain the most favored form of business organisations in Pakistan especially for medium and large-scale business enterprises. Legal regime for establishment and regulation of companies in Pakistan is given in the Companies Ordinance, 1984. Whereas the function of administration of these companies is vested in the Securities and Exchange Commission of Pakistan (SECP) ¹ and the Registrar of Companies appointed by the Securities and Exchange Commission of Pakistan for a Province of Pakistan where such company is to be registered.

Under the provisions of the Companies Ordinance, 1984 a company is a corporate body with separate legal entity and a perpetual succession and a company may be formed by persons associating for any lawful purpose by subscribing their names to the Memorandum of Association and complying with other requirements for registration of a

¹ Securities and Exchange Commission of Pakistan (SECP) established under the Securities and Exchange Commission of Pakistan Act 1997 was operationalized as a body Corporate on 1st January 1999. SECP replaced Corporate Law Authority, the former corporate regulatory body. It has been vested with adequate operational, administrative and financial autonomy.

The SECP's head office is at the Federal Capital, Islamabad and it has eight regional offices (Company Registration Offices), one at Federal Capital, four at provincial capitals and three in other major cities i.e. Multan, Faisalabad and Sukkur. SECP's main functions include; regulation of securities market and related institutions like Central Depository Company (CDC), Credit Rating Companies and Modarabas (funds operating on the basis of Islamic economic principles); administration of the company law; regulation of non-banking finance companies like leasing companies, investment banks and mutual funds, regulation of insurance business and private pensions.

One of the important functions of the SECP is the incorporation/registration of companies. This task has been entrusted to the Registration Department, Company Law Division which has its field offices known as Company Registration Offices (CROs) for the purpose of incorporation / registration of different type of companies.

Incorporation of a Company

For the convenience of general public, promoters and directors of companies, SECP has established its eight CROs at Islamabad, Karachi, Lahore, Peshawar, Faisalabad, Multan, Sukkur and Quetta. Online facilities for incorporation of companies and filing of returns have been made available. registration of companies and monitoring of their working according to law, functions of CRO's include providing services and guidance and also to ensure that the companies and their directors comply with the statutory requirements as provided under the Companies Ordinance, 1984 (the Ordinance). The record of companies maintained by the CROs is public record and the investors, shareholders, creditors and general public, may inspect the record of any company whenever they need and they may also obtain certified copy of any specific document on payment of nominal amount of fee.

company under the provisions of the Ordinance.

The Companies Ordinance, 1984 provides three different types of companies:

A company limited by shares

A company limited by guarantee

An unlimited liability company

Further, under the Companies Ordinance, 1984 two types of limited liability companies are provided namely, a) a private limited company and b) a public limited company (which may be listed or unlisted). Any one or more persons associated for any lawful purpose by subscribing their name(s) to the Memorandum of Association and complying with other registration specific requirements of the Companies Ordinance, 1984 may incorporate a private limited company. Provided that where a company has only one subscriber to the Memorandum of Association then such a company is called a Single Member Company, however, a Single Member Company remains a private limited company for all intents and purposes of the Ordinance. Whereas any three or more persons so associated may form a public limited company. A company limited by shares whether a private company or a public company is the most common vehicle for carrying out a business enterprise in Pakistan.

Prior approval of the relevant Ministries/Departments is required to be obtained before incorporation of the following companies:

A Banking Company

A Non-Banking Finance Company

A Security Service Providing Company

A Corporate Brokerage House

A Money Exchange Company

An Association not for profit u/s 42 of the Companies Ordinance, 1984

A Trade Organisation u/s 42 of the Companies Ordinance, 1984

Requirements and Procedure:

Registration of a Private Limited Company, Single Member Company, Public Limited Company.

Types and Forms of Companies which may be Registered:

The following types of companies may be registered:

A Private Limited Company, which may be a Single Member Company.

A Public Limited Company, which may be listed or unlisted.

A Foreign Company.

Procedure for Registration of a Company:

Following are the requirements for registration of a company:

Step No. 1 for Registration of a Company.

Availability of Name

The first step with regard to incorporation of a company is to seek the availability of the proposed name for the company from the registrar. For this purpose, an application is to be made and Rs 200/- for online application and Rs. 500/- for offline application is required to be paid for seeking availability certificate for each name. The promoters desirous of forming a company should make sure that the name chosen is not otherwise inappropriate, deceptive or designed to exploit or offend the religious susceptibilities of the people and neither is identical nor closely resembling with the name of an existing company. The first step with regard to incorporation of a company is to seek the availability of the proposed name for the company from the registrar. For this purpose, an application is to be made and Rs 200/- for online application and Rs. 500/- for offline

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Step No. 2 for Registration of a Company.

Filing of documents required for registration of a private limited company.

The following documents are required to be filed with the registrar concerned for registration of a private limited company:

- i. Copy of **National Identity Card** or **Passport**, in case of foreigner, of each subscriber and witness to the memorandum and article of association.
- ii. **Memorandum and Articles of Association** - Four printed copies of Memorandum and Articles of Association duly signed by each subscriber in the presence of one witness.
- iii. **Form 1** - Declaration of compliance with the pre-requisites for formation of the company.
- iv. **Registration/filing fee** - A copy of the original paid Challan in the authorized branches of Habib Bank Limited or a Bank Draft/ Pay Order drawn in favour of the Securities and Exchange Commission of Pakistan of the prescribed amount.
- v. **Authorisation by sponsors** - The authorisation of sponsors in favour of a person to make good the deficiencies, if any, in memorandum and articles of association as may be pointed out by the registrar concerned and to collect the certificate of incorporation

Documents required for registration of a Single Member Company:

Any person may form a single member company and would file with the registrar at the

² To facilitate the promoters, a list of prohibited/ sensitive names has also been provided at the link: https://www.secp.gov.pk/ns/pdf/Prohibited_words.pdf

time of incorporation a nomination in prescribed form indicating at least two individuals to act as nominee director and alternate nominee director, of the company in the event of his death. All requirements for incorporation of a private limited company shall mutatis mutandis apply to a single member company.

Documents required for registration of an association not for profit:

All the documents meant for incorporation of a limited company alongwith a license issued by the SEC. In case of a trade body, a license issued by the Ministry of Commerce would also be submitted to the registrar concerned. The application for obtaining the requisite license from the Commission should be accompanied by draft memorandum and Articles of Association, list of promoters, bio-data of each promoter, declaration, names of companies in which the promoters of the proposed association hold any office, estimates of annual income and expenditure and brief statement of work already done or to be done.

Requirements after Incorporation:

a. Private companies

- i. The number and names of first directors are required to be determined by the majority of subscribers of memorandum in writing and until so determined all the subscribers of the memorandum who are natural persons shall be deemed to be directors of the company. The appointment of first directors is required to be notified to the registrar concerned on Form '29' within 14 days from the date of incorporation. The first election of directors is required to be held at the first Annual General Meeting of the company and subsequently after every three years. The directors so elected are to hold office for a period of three years. However, casual vacancy occurring on account of death, resignation or removal of any director may be filled up by the other directors for the remainder period of the term.

- ii. Directors of every company are required to appoint the first chief executive not later than fifteen days from the date of incorporation and thereafter within fourteen days from the date of election.
- iii. The first auditor is required to be appointed by the directors within sixty days from the date of incorporation and thereafter in each AGM of the company.
- iv. A single member company is also required to appoint a company secretary within fifteen days of incorporation or of becoming a single member company or of the office of company secretary falling vacant and notify such appointment on Form 29 within fourteen days of the date of such appointment.
- v. Any appointment, election or change in the Directors, Chief Executive, Auditors, Chief Accountant, legal adviser etc is required to be notified to the registrar concerned on Form '29' within 14 days of the said election, appointment or change (Section 205).
- vi. A company is required to notify the registered office of the company on Form-21 within 28 days from the date of its incorporation. This form is normally submitted with the registration documents to facilitate communication. Change of registered office is also to be notified on the same form within the same period. (Section 142)
- vii. A private company may commence its business immediately after its incorporation.
- viii. First Annual General Meeting (AGM) of the company is required to be held within eighteen months from the date of incorporation and subsequent Annual General Meetings are required to be held once at least in every calendar year, within a period of four months following the close of its financial year and not more than fifteen months after holding of its last preceding AGM (Section 158).
- ix. Directors of every company are required to lay before the company in its AGM audited balance sheet and profit and loss accounts in case of first accounts since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months (Section 233).

- x. Annual return on prescribed Form 'A' is required to be filed with the registrar concerned once in each year made as on the date of Annual General Meeting, where no such meeting is held, on the last day of the calendar year (Section 156).
- xi. In case of increase in paid-up capital, the company is required to offer new shares to the existing shareholders and the offer is required to be accompanied by a circular issued under section 86(3) to all the shareholders strictly in proportion to the shares held by them and, on the allotment of shares, return of allotment on Form '3' is required to be filed with registrar concerned within 30 days from the date of allotment of shares. Partly paid shares are not allowed to be issued at all. (Sections 73 & 86).
- xii. The company is required to issue share certificates to its shareholders within 90 days from the date of allotment or within 45 days after the date of filing of application for registration of transfer of shares (Section 74).
- xiii. Particulars of every mortgage or charge created by the company on its property or undertaking and every modification therein or satisfaction thereof are required to be filed and registered with the registrar concerned within 21 days after the date of its creation, modification or satisfaction (Sections 121, 129 & 132).
- xiv. In case of death of single member of a Single Member Company, the nominee director of SMC is required to inform the registrar concerned of death of the single member, provide particulars of the legal heirs and in case of any impediment report the circumstances seeking the directions in the form as set out in Form S3 within seven days of the death of the single member.
- xv. The decisions taken by the single member or sole director in the meeting of director and member of a Single Member Company are required to be drawn up in writing and recorded in the minute's book by the company secretary.

b. Public companies

- i. All the requirements meant for private companies given at serial Nos. (i) to (xiii) above are also applicable to public companies. However, the listed companies are

also required to file list of members on floppy diskette to the Commission and the associations are required to file with the registrar concerned annual return on Form 'B' instead of Form 'A'.

- ii. Company is required to file a list of Directors and consent of Directors and Chief Executive within 7 days of the incorporation and thereafter before the election/appointment of Directors and Chief Executive on Forms 27 & 28.
- iii. Company shall be entitled to commence its business after obtaining commencement of business certificate from the registrar concerned (Section 146).
- iv. Statutory meeting is required to be held within a period of not less than three months but not more than six months from the date at which the company is entitled to commence business. A statutory report is required to be circulated to the members and five copies thereof certified in the prescribed manner are required to be filed with the registrar concerned, at least 21 days before the date of Statutory Meeting. A private company which converts itself to public company after one year of incorporation is not required to hold such statutory meeting and issue such statutory report. (Section 157).
- v. Two copies of the audited balance sheet and profit and loss accounts signed in the prescribed manner are required to be filed by public companies with the registrar concerned within 30 days from the date of their AGM (Sections 233 & 242).
- vi. Every listed company is required to file three copies of audited balance sheet and profit and loss accounts to the SECP, Stock Exchange and the registrar at the time of sending the notice of AGM to the members as well as within 30 days of holding the Annual General Meeting.
- vi. Return containing beneficial ownership of listed securities and change therein on Form 31 and Form 32 are required to be filed with the Registrar concerned and the SECP.
- viii. A listed company is also required to appoint a company secretary.

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