

GUIDE

ON

SINGLE MEMBER COMPANY



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Introduction

This guide is designed to explain the relevant laws and procedure for establishing a Single Member Company (SMC). It includes the concept, procedure and documents required for forming SMC in light of the relevant provisions of the Companies Ordinance, 1984 (the “Ordinance”) and Single Member Companies Rules, 2003 (the “Rules”). It includes information about the following:-

- ⊘ Concept of SMC;
- ⊘ Relevant provisions of the Ordinance relating to establishing SMC;
- ⊘ Advantages of forming SMC;
- ⊘ Incorporation of Single Member Company
- ⊘ Change in status of Single member Company into Private Company
- ⊘ Change in status of Private Company into Single member Company
- ⊘ Meetings of directors and members
- ⊘ Company Secretary
- ⊘ Contracts between the SMC and Single Member of the company
- ⊘ Name and Style of the SMC.

Concept of Single Member Company

- A single member company is a class of private company, limited by shares which is incorporated with one member, or whose membership is reduced to one person.
- It shall not issue invitation to the public to subscribe for any share of the company
- The company shall not register any share(s) in the name of two or more persons to hold one or more shares individually or jointly; and
- Number of members of the company shall be limited to a single person.

Provisions of Law and Rules Relating to establishing a Single Member Company

- Single Member Companies Rules, 2003 deal with issues governing the single member company; and
- The provisions of the Ordinance and all the rules and regulations made thereunder are applicable to SMC in the same manner as they are applicable to a private limited company having two or more members, unless prescribed otherwise.

Advantages of a Single Member Company

Some of the advantages of forming SMC are as follows:-

- ✓ SMC has a separate legal entity from its member;
- ✓ Liability of the member is limited to the amount of his investment;
- ✓ The existence of the company does not cease on the death of a member;
- ✓ SMCs are subject to lower corporation tax;
- ✓ Single member of a SMC has complete control over how the business is operated. The single member may make all business decisions independently and receive the full share of distributed profits;

- ✓ Single member does not have to deal with shareholders or a board of directors as a company would be required to do;
- ✓ SMC is less formal than a corporation;
- ✓ Ownership of a SMC can be easily transferred to another person without much paper work and complying with legal formalities; and
- ✓ The transformation of sole proprietorship into SMC will, help in documentation of economy.

Incorporation of a Single Member Company

- ⊘ Any person or a body corporate may form a SMC. All the requirements for incorporation of a private limited company shall mutatis mutandis apply to a SMC.
- ⊘ Any private company can also be converted into a SMC, on complying with the relevant provisions of the Ordinance and the Rules, framed thereunder.

Change in status of a Single member Company into a Private Company

A SMC can be converted into a private company on increase of the number of its members to more than one. The company shall pass a special resolution for change of status and alter its articles accordingly within thirty days and transfer the shares within seven days. The company shall appoint and elect one or more additional directors within fifteen days of passing the special resolution and notify the appointment on Form 29 prescribed under the Companies (General Provisions and Forms) Rules, 1985 within fourteen days. Further, the company is required to file a notice of the fact in writing in the form as set out in Form S2, with the registrar within sixty days from the date of passing of special resolution.

Change in status of a Private Company into a Single member Company

A private company having two or more members may convert its status into SMC by passing a special resolution for change of its status, making necessary alteration in its articles and obtaining the approval of the Commission. An application for seeking Commission's approval shall be submitted by the company in the form as set out in Form S4 within thirty days of passing the special resolution for change of status to single member company. The company shall transfer shares in the name of single member within fifteen days of the approval of the Commission and notify change in the board of directors on Form 29 within fourteen days from date of transfer of shares.

A certified copy of the order containing the approval of the Commission together with a notice in the form as set out in Form S5 shall be filed with the registrar concerned within fifteen days.

Meetings of directors and members

Any matter that is to be decided by the members/directors as required by the Ordinance or rules and regulations made thereunder or articles shall be deemed to be satisfied if the decision is taken by a single/sole director of the company and is properly recorded in the minutes book.

Company Secretary

Appointment of secretary in a SMC is mandatory and carries a significant importance. Some of the important duties of the secretary are as follows

- ✓ Secretary shall attend each and every meeting of the director(s) and record the minutes of the meeting in a true and fair view;
- ✓ On the death of the single member/director of the company the secretary shall manage the affairs of the company till the transmission of shares to legal heirs of the single member;
- ✓ Intimate the registrar about the death of a single member, provide particulars of the legal heirs and in case of any impediment report the circumstances of the case to the registrar on Form S3 within 7 days of the death;
- ✓ transfer the shares to the legal heirs along with the management in accordance with the applicable laws; and
- ✓ call the general meeting of the members to elect directors.

The company secretary is required to be appointed within fifteen days of incorporation or of becoming a SMC or of the office of company secretary falling vacant and such appointment is required to be notified on Form 29 within fourteen days of the date of such appointment.

Name and Style of the SMC.

Name of the SMC shall be written as ABC (SMC-Private) Limited.

On conversion of SMC into private company the word SMC- shall be omitted from the name of the company and registrar shall issue a certificate in the manner provided in the Form S7 of the Rules.

Whereas on change of the status of the company from private company into SMC the word (SMC-Private) will be made part of the name of the company and registrar will issue a certificate in the manner provided in the Form S6 of the Rules.

DISCLAIMER

This guide has been developed, merely, with intent to create awareness of the concept of the relevant matters. If the reader is in doubt in dealing with any specific condition, it is suggested to refer to the Ordinance and allied laws and consult a professional consultant for seeking advice. The Commission gives no guarantee and assumes no liability for any error or omissions of the information and no one can use the information for any claim, demand or cause of action.

LOCATION AND CONTACT DETAILS OF COMPANY REGISTRATION OFFICES

Company Registration Office, Islamabad

State Life Building, 7-Blue Area, Islamabad.
Phone No: 051-9208740 Fax No: 051-9206893

Company Registration Office, Karachi

4th Floor, SLIC Building No.2,
Wallace Road, Karachi.
Phone No: 021-99213272 Fax No. 021-99213278

Company Registration Office, Lahore

3rd & 4th Floor, Associated House,
7-Egerton Road, Lahore
Phone No. 042-99200273-4 Fax No: 042-99202044

Company Registration Office, Multan

63-A, 2nd Floor,
Nawa-e-Waqt Building,
Abdali Road, Multan.
Phone No: 061-9200530/9200920 Fax No: 061-9200530

Company Registration Office, Faisalabad

2nd Floor, Faisalabad Chamber & Commerce Building,
East Canal Road, Faisalabad.
Phone No: 041-9230264 Fax No: 041-9230263

Company Registration Office, Peshawar

1st Floor, State Life Building, The Mall,
Peshawar Cantt.
Phone No: 091-9213275, Fax No: 091-9213686

Company Registration Office, Quetta

Aiwan-e-Mashriq, Plot # 4-A, Ground Floor,
Opposite FC Headquarter, Hali Road,
Model Town Quetta.
Phone No: 081-2844136 Fax No: 081-2827538

Company Registration Office, Sukkur

B-73 , Hamdard Housing Society,
Airport Road, Sukkur,
Phone No: 071-5630517 Fax No: 071-5630517