
Private Limited Company

Forming a private limited company is advisable for owners who want a secure and lasting business. The private limited company is a proven, successful business model. The business owners hold all shares of the company privately. Shareholders may operate the business themselves, or hire directors to manage the company on their behalf. Forming a private limited company results in; protection of personal assets, access to more resources, financial assistance and greater tax cuts.

The Advantages of Private Limited Company

Limited Liability

The greatest benefit of private limited companies is limited liability. Private limited companies, are treated as a single entity, making the company responsible for all debts. If anything happens to the company, its members are not personally affected; members are only liable for unpaid shares. Officers of the company retain their company salaries, they cannot be made bankrupt and they are free to form a new company. Fraud is the only instance of unprotected liability. If creditors lose money through director fraud, the directors' personal liability is without limit."

Tax Advantages

Private limited companies enjoy tax advantages in addition to limited liability. These companies pay corporation tax on their taxable profits and tend to be exempt from higher personal income tax rates. Forming a company instead of continuing as a sole trader or sole proprietor opens the door to more tax-deductible costs and allowances redeemable against profits.

Finance and Resources

When more resources or large-scale production is necessary, forming a private limited company protects the interests of lenders. With adequate funding, your company can produce goods at a lower cost, thus increasing profits and customer satisfaction. Furthermore, the future of the business becomes more secure.

Business Continuity

Private limited companies enjoy permanent succession because the company is its own legal entity. Shareholders and employees act "as agents of the company and therefore, do not affect the company if they leave. In the event of a death or resignation, the company's Articles of Association allocate the shares to remaining members. Discontinuation of the company only occurs through liquidation or similar means. Guaranteed succession not only benefits members, but secures jobs and resources for the community.

Transferability of shares

Shares can be sold to a large number of people. These would be likely friends or relatives.

Control

The people who started the company can control it as long as they do not sell many shares

Disadvantages:

Legal formalities:

There are significant legal matters which have to be dealt with before the company can be formed

Transferability of shares

The shares cannot be sold or transferred to anyone without an agreement

Floating the shares for sale

The company cannot offer its shares to the general public