

Corporate Watch

MODULE 2:

COMPANY STRUCTURES

AIMS OF THIS SECTION

- ▶ Get a very basic understanding of common company structures in the UK.
- ▶ Begin to reflect on how these structures enable corporate behaviour and capitalism.

INTRODUCTION TO COMPANY STRUCTURES

- ▶ Company structures can be complicated. This is a very simplified introduction!
- ▶ Companies are their own legal entity distinct from the people who run them.
- ▶ Companies have legal rights and duties. They can enter into legal relationships e.g. be sue, or be sued, own property, enter into contracts. They can be prosecuted (by fines).
- ▶ Different structures mean different responsibility for liabilities. As a result, they can be used to shield individuals from criminal and financial liability.

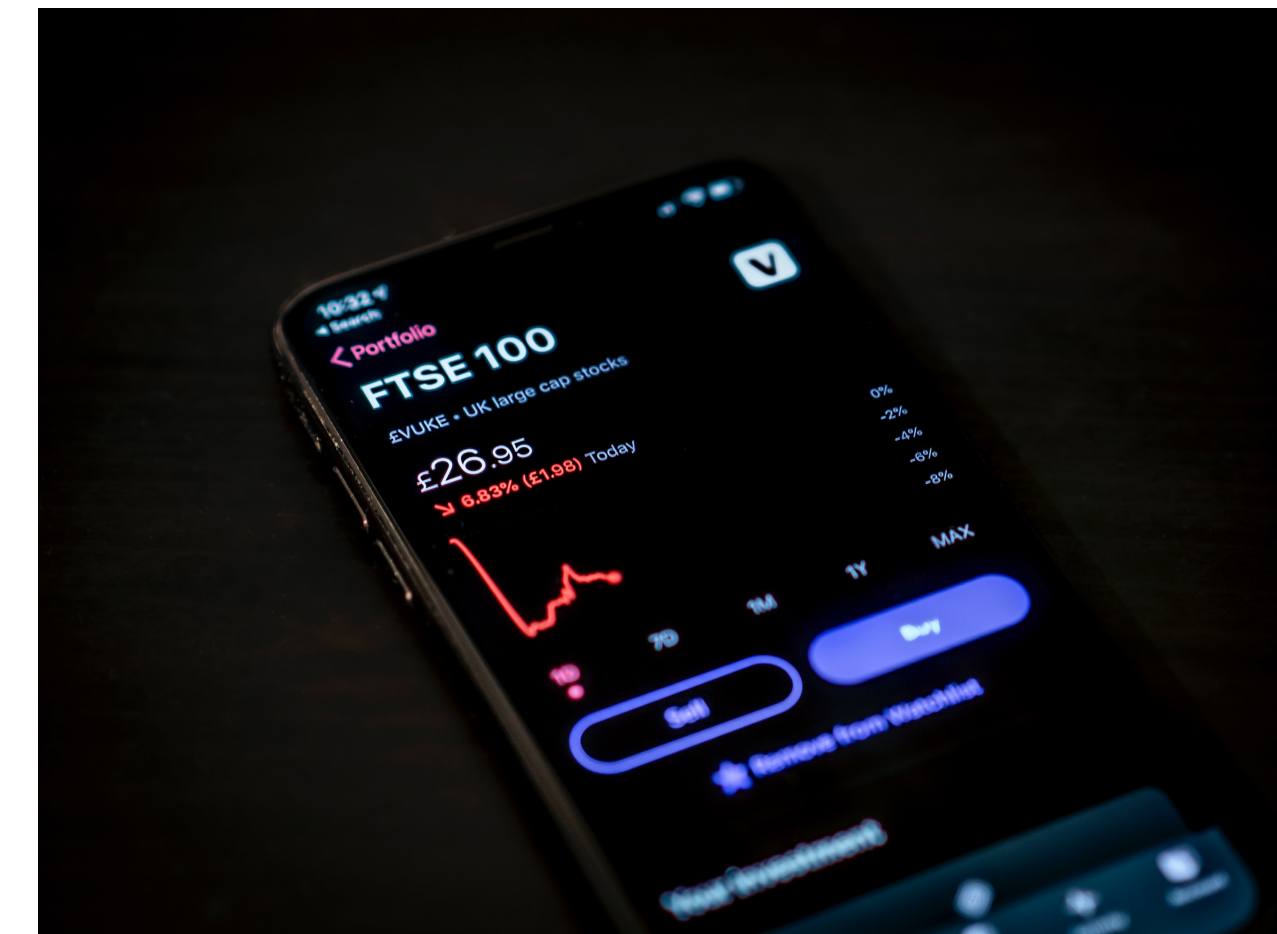
COMPANIES LIMITED BY SHARES – LTD (PRIVATE)

- ▶ Companies limited by shares have a separate legal personality.
- ▶ The company is owned by its shareholders.
- ▶ The liability of each shareholder is limited to the capital they have contributed to the company.
- ▶ This means if the company becomes insolvent (unable to pay its debts), shareholders lose what their shares cost but are not personally liable for the company's debts.



COMPANIES LIMITED BY SHARES – PLC (PUBLIC)

- ▶ A Public Limited Company (PLC) has its own legal personality.
- ▶ Its shares, however, can be sold to the general public.
- ▶ These shares are sold to the public enabling the company to attract more investment.
- ▶ These shares can also be listed on public stock exchanges such as the London Stock Exchange.



PARTNERSHIPS

- ▶ Two or more partners run a business in common.
- ▶ Max 100 people.
- ▶ Profits and losses can be shared between the partners.
- ▶ Each partner pays tax on their share of profits.
- ▶ Partners are not protected by limited liability.



LIMITED LIABILITY PARTNERSHIPS (LLP)

- ▶ Two or more partners run a business in common.
- ▶ Max 100 people.
- ▶ Profits and losses can be shared between the partners.
- ▶ Each partner pays tax on their share of profits.



SOLE TRADERS

- ▶ An individual owns 100% of the business. It is not a separate legal entity.
- ▶ The sole trader is personally liable for all debts.
- ▶ There is the most privacy - for example, accounts do not need to be submitted to Companies House.



OTHER COMPANY STRUCTURES

COMPANIES LIMITED BY GUARANTEE

- ▶ Privately owned companies can be limited by shares or by guarantee.
- ▶ Companies limited by guarantee do not have shares and are usually set up to be not-for-profit e.g. Corporate Watch.
- ▶ They do not have shareholders but have members. Normally a 'Board of Directors'.
- ▶ They still have a separate legal personality which reduces risks for liabilities.



COMMUNITY INTEREST COMPANIES (CIC)

- ▶ Can be limited by guarantee, shares or be a public company.
- ▶ Can be a cooperative, not for profit or general commercial model. Generally used by social enterprises.
- ▶ Must satisfy a community interest test and complete a CIC form with the annual accounts.
- ▶ Must have an asset lock and a way to prevent the CIC falling under control of non-members. Subject to a dividend cap.



INDUSTRIAL AND PROVIDENT SOCIETIES

- ▶ Run and owned by members.
- ▶ Are meant to operate for the benefit of the community.
- ▶ Have to be regulated by the Financial Services Authority.
- ▶ Have separate legal identity.



TRUSTS

- ▶ There are different types of trusts.
- ▶ Managed by trustees.
- ▶ Often used as a way to protect assets.
- ▶ Generally impenetrable!



CHARITIES

- ▶ There are different options for charities.
- ▶ Regulated by the Charities Commission.
- ▶ Charitable company limited by guarantee - own legal person.
- ▶ Charitable Incorporated Organisation - only registered with the CC and does not have to submit accounts to Companies House.



QUESTIONS

- ▶ How do these structures enable harmful corporate behaviour?
- ▶ How do they serve capitalism?

RESOURCES

- ▶ Types of Company: <https://corporatewatch.org/types-of-company/>
- ▶ Company Law: <https://corporatewatch.org/company-law/>