SHARES & SHAREHOLDERS

The following offers a brief guide in relation of private companies limited by shares. This guide does not attempt to explain the intricacies of shares and share transactions, but it does aim to give some basic information to assist in important decisions when setting up a company for the first time.

Key Points:

- There must be at least one shareholder in a company at all times
- A company can have any number of shareholders
- Shareholders are often referred to as Members of the company
- Sole shareholders are allowed in private companies
- There is no stamp duty payable on allotments of new shares, but stamp duty can be payable in many circumstances when transferring shares from one shareholder to another
- Shareholders can be resident anywhere in the world and can be of any nationality
- The number of shares that can be issued in a company or to specific shareholders is unlimited unless restricted by the articles
- A shareholder is personally liable for the nominal value of any shares registered to him/her that remain unpaid at the date of any administration or winding up of the company

One of the most frequently asked questions we hear "what is the usual share structure for a new company". There is no strict formula to follow. In simple terms, the shareholding of a company determines its ownership, and this is usually structured very easily. If your company is to be wholly owned by yourself, you need only have a single share issued in your name to begin with.

Alternatively, should you wish to spread shares amongst various family members or investors, an allotment of 100 shares may give the flexibility required. Larger numbers of shares can be issued to shareholders who introduce capital into the company, reflecting their financial investment. High levels of capital are sometimes, although rarely, introduced at the outset in order to demonstrate high levels of capital commitment to encourage confidence in the company on the part of potential lenders or suppliers. However, it is important to remember that in the event of the failure of a business, a shareholder may be responsible for any amount outstanding on shares registered in his name that are not fully paid at the date of receivership. Therefore it is not advisable to allot large numbers of unpaid shares at the outset.

The structure of a company's share capital determines its ownership and control. There are various ways in which shares can be utilized to differentiate between members' equity and voting rights, and by carefully structuring a company's capital much can be achieved without the need for complicated legal agreements.

It is sometimes necessary to maintain confidentiality of the identity of shareholders for which purpose CRO can provide a nominee shareholder to hold shares on behalf of the beneficial owner. See our information guide on Nominee Shareholders for more details.

Where there is more than one shareholder, it is highly advisable for shareholders to protect their interests with a formal Shareholder Agreement. Such an agreement ensures that there is a structure in place to deal with eventualities such as breakdowns in relationships, death of shareholders and exit strategies. See our guidance notes on Shareholder Agreements for further information.