

Learn Legal English with PUSTULKA

Lesson Eleven Business Law

Business law is the area of law relating to business organizations, business structures, and business transactions. The area of **business law** also includes the issues related to real estate, tax, and the environment.

Below we will have a look at the issues of **company formation** in the UK and different types of business organisations.¹

Reading (part 1)

Read this text and pay attention to the bolded words or do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/905>

Incorporating a company

Before your business can begin operating as a **limited company**, it has to be **registered** with the **Registrar of Companies** - Companies House. This is known as **incorporation** - the process by which a new or existing business is converted into a corporate body.

You'll need: a suitable company name, an address for the company, at least one **director**, details of the company's shares - you need at least one **shareholder**, to check what your SIC (Standard industrial classification of economic activities) code is - this identifies what your company does.

The Companies Act 2006, which **came into force** in stages from January 2007 to October 2009, introduced a number of changes that affected both directors and shareholders of limited companies.

To set up as a limited company in the UK, you - or the agent acting for you - will need to **file** several documents and completed forms **with** Companies House, or, in Northern Ireland, **with** the Companies Registry for Northern Ireland:

1. a **Memorandum of Association**, a statement that the **subscribers** wish to form a company, agree to become members and, where the company is to have a share capital, to take at least one share each;

¹ For more information refer to:

<https://www.gov.uk/topic/company-registration-filing/starting-company>
<http://www.brytania.co.uk/>

2. **Articles of Association**, written rules about running the company agreed by the shareholders, directors and the **company secretary**.

The memorandum is now crucial to registering a company, but after that it no longer is "living" document, constituting a part of the **Company Constitution**.

Reading (part 2)

Below you can see a sample memorandum of association to form a company with share capital.

COMPANY HAVING A SHARE CAPITAL

Memorandum of association of [insert company name]

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share.

<i>Name of each subscriber</i>	<i>Authentication by each subscriber</i>

This is a sample memorandum of association to form a company without share capital.

COMPANY NOT HAVING A SHARE CAPITAL

Memorandum of association of [insert company name]

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company.

<i>Name of each subscriber</i>	<i>Authentication by each subscriber</i>

Reading (part 3)

Read this text and fill in the gaps with the missing prepositions:

by (x7); of (x4); to (x4); within; with; on

or do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/906>

All limited companies must have articles ... association. These set the rules company officers must follow when running their companies.

“Model” articles ... association are the standard default articles a company can use. They are prescribed ... the Companies Act 2006.

If your company is limited ... shares and uses model Articles ... Association you can register online. It costs £12 and can be paid ... debit or credit card or Paypal account. Your company is usually registered ... 24 hours.

If you choose not ... use ‘limited’ in your company name, you must register your company ... post using form IN01 which comprises a total ... eighteen pages with a number ... continuation sheets.

You can register ... post using form IN01.

Postal applications take 8 ... 10 days and cost £40 (paid ... cheque made out ... ‘Companies House’).

You can be registered ... the same day if you:

- get your application ... Companies House ... 3pm
- pay £100.

Reading (part 4)

Read this text and pay attention to the bolded words or do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/909>

The company's officers

The people formally appointed to run the company are the officers of the company: the company **directors** and company **secretary**.

Private companies must have at least one director, but after 6 April 2008 it is not essential to have a company secretary. If there is only one director, this must be stated in the company's Articles of Association.

Public limited companies (PLCs) must have at least two directors and a **company secretary**. The company secretary of a PLC must be formally qualified.

Company directors must be at least 16 years of age, although there is no upper age limit.

Every company must have at least one director who is a "**natural person**" (pol. osoba fizyczna), i.e. not another company. There was a **grace period** (pol. karencja) until 1 October 2010 for any company that only had corporate directors on 8 November 2006.

Can one person form a company?

It's possible for a single person to form a so-called "single member" private company and to be the sole director of this company. If the company decides to have a company secretary, they cannot be the same person as the sole director.

Reading (part 5)

Read this text and pay attention to the bolded words or do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/910>

Types of limited company

Most small businesses that opt for limited company status become **private limited companies** rather than **public limited companies (PLCs)**. The main differences between them are that:

- PLCs can raise money by selling shares on the stock market - private limited companies cannot;
- PLCs must have **share capital** (pol. kapitał udziałowy) of at least £50,000;
- PLCs must have at least two **shareholders** (pol. udziałowcy), two directors and a qualified company secretary.

A private company limited by shares can convert into a PLC, but it will need to re-register in order to do this.

Private limited companies are owned by their shareholders and are **limited by shares**. This means that shareholders who paid in full for their shares are not **liable for** (= responsible for) the company's debts. Shareholders who part-paid for their shares are liable for the outstanding amount owing to the company for their shares.

Tax matters of a limited company

Limited companies have to pay **corporation tax** (pol. podatek dochodowy od osób prawnych) on their income and profits. They also need to operate a **PAYE**² (Pay As You Earn) system to collect and pay income tax and **National Insurance contributions** (pol. składki ubezpieczenia społecznego) from their employees - including company directors.

The company itself must work out how much corporation tax it needs to pay, using a self-assessment system. To avoid paying penalties, it's important to understand how this system works and when your company needs to make **returns** (pol. zeznania podatkowe). Your accountant or auditor will be able to advise you.

² Income tax; an amount collected by employers on behalf of the government from employees as a provisional payment of tax on the employee's income.

What do I need to do about taxes when I set up a company?

When you register a new company, the Companies Registrar will pass on the details to **HM Revenue & Customs (HMRC)** (pol. Urząd podatkowy i celny). You must also contact your own local HMRC office to let them know that your company exists. If you do not do this, you may have to pay a penalty.

EXERCISES

1. What are the Polish equivalents of the following business law terms?

You can do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/908>

Companies House	.....
Memorandum of Association	.....
Private Limited Company	.....
Articles of Association	.....
The Companies Act	.....
Company Secretary	.....
Public Limited Company	.....
Certificate of Incorporation	.....
Company Registered Office	.....
Company Incorporation/Formation	.....

Mind the difference between: a registrar (e.g. of Companies), a register (e.g. of companies), a registry (e.g. of companies), and a registrant.

2. Write your suggestions of Polish equivalents:

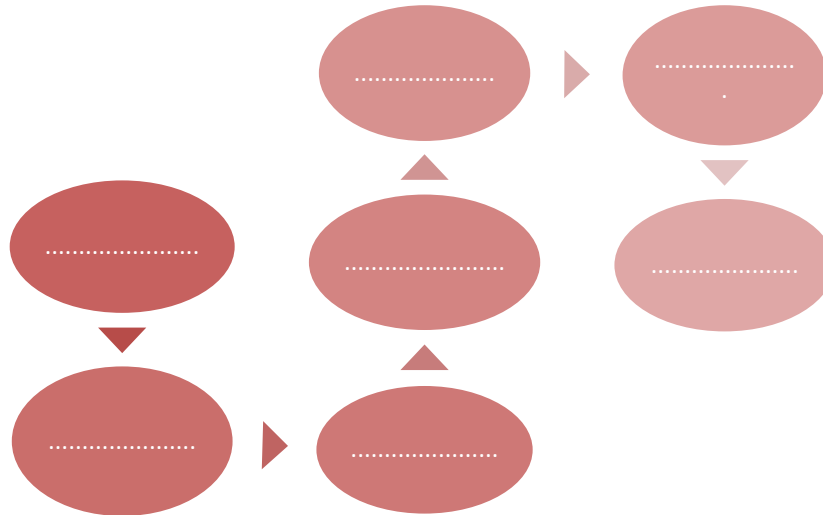
You can do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/901>

1. register –
2. registry –
3. registrar –
4. registrant –

3. Company Formation. The Stages.

Match the collocations and then fill in the gaps in the chart illustrating the process of company formation with the terms provided below.



You can do the first part of this exercise this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/907>

1	contact	a	a Memorandum and Articles of Association with Companies House
2	make	b	Certificate of Incorporation
3	file	c	Form IN01 with Companies House
4	register	d	registration fee
5	send	e	HM Revenue and Customs
6	receive	f	appropriate tax returns (pol. zeznania podatkowe)
7	pay	g	the company with the Registrar of Companies

4. Other types of business organisations.

- In the table below, you can read about three other types of business organisations which exist in Great Britain: **SOLE TRADER**, **GENERAL PARTNERSHIP** and **LIMITED LIABILITY PARTNERSHIP**. Decide which letters in the table (A, B or C) they correspond to.
- Read carefully the descriptions of each type of business organization and decide which points are pros (+) and which are cons (-) of each business.
- You can cut the table into individual stripes, mix them and then try to group them into three sets again (A, B and C).

A	<ul style="list-style-type: none">○ A business owned by one person.○ All financial risks are taken by that person and all that person's assets are included in that risk.○ The owner has almost complete control over how the business is run.○ The administrative costs of running a sole business are small.○ The owner's all personal assets are at risk if the business fails.
B	<ul style="list-style-type: none">○ A business run by two or more people together on the basis of a written agreement detailing this arrangement.○ Profits are usually shared between partners according to the agreement.○ Profits may be shared unequally,○ Liabilities and obligations which may arise are shared jointly. Even if you only own 1% of the business you will still be responsible for 100% of the liability.○ A very risky type of business because of all the potential for conflict, and the financial effect conflict between partners would be likely to have on the business.○ Often more money can be raised to start the business if more than one person is involved.○ The workload can be shared.○ All personal assets of each partner are at risk if the business fails.○ Decisions are taken jointly. A deadlock may arise.
C	<ul style="list-style-type: none">○ Individual partners are protected against personal liability for certain partnership liabilities.○ A business itself will be liable for the full extent of its assets.○ The business is controlled by the 'designated members' (who have a similar responsibility to a directors / secretary of a Ltd Company) and the 'members'.○ Capital is provided by the members.○ Incomes derived by the members will be closer to that of a 'Partnership' than to the dividends paid by companies.

All Business Law exercises on PUSTULKA are the following:

1. Sole trader, general partnership and limited liability partnership
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/902>
2. Incentives for setting up new businesses
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/723>
3. Polish equivalents of English business law terms
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/908>
4. Business law abbreviations
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/79>
5. English equivalents of Polish business law terms
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/26>
6. Polish-English translations of business law words and phrases
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/25>
7. Incorporating a new company
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/905>
8. Notice of AGM
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/830>
9. One-tier v two-tier system of management
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/808>
10. Setting up as a sole trader
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/853>
11. Two-tier management system
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/809>
12. Company officers
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/909>
13. Limited companies and taxes
<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/910>

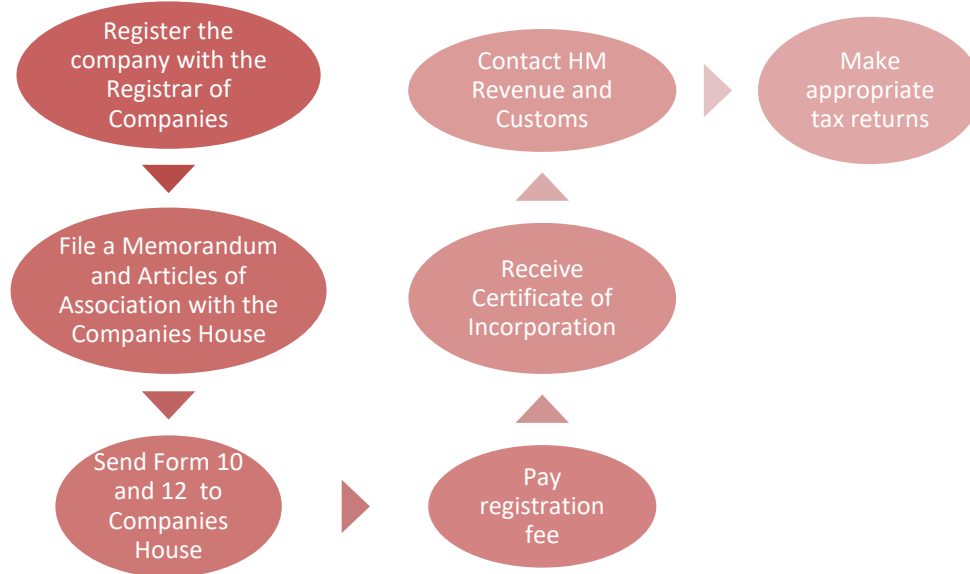
ANSWERS

1.

Companies House	Brytyjski urząd rejestrujący spółki (odpowiednik polskiego Krajowego Rejestru Sądowego)
Memorandum of Association	Akt założycielski spółki
Private Limited Company	Spółka z ograniczoną odpowiedzialnością
Articles of Association	Umowa/Statut spółki
The Companies Act	Ustawa o spółkach/Prawo spółek
Company Secretary	Sekretarz spółki
Public Limited Company	Spółka akcyjna
Certificate of Incorporation	Świadectwo zarejestrowania spółki
Company Registered Office	Siedziba spółki
Company Incorporation/Formation	Rejestracja spółki

2. Register - rejestr (wykaz); Registry - rejestr (urząd); Registrar – kierownik; Registrant - wnioskodawca

3. 1 e 2 f 3 a 4 g 5 c 6 b 7 d



4. A = sole trader; B = partnership; C = limited liability partnership