What is the Protection Of A Proprietary Limited Company?

If you own a company in Australia you might be interested in incorporating your company and being able to sell shares of the company to stockholders.

In Australia being incorporated is called being a proprietary company. This is actually considered a corporation and there are some limitations to having this kind of corporation. One of these limitations is you can not have more than 50 shareholders in the company. This means you have to be careful who you sell shares to so that you do not go over this limit.

Another limitation is the fact that the shares can not be offered to the public, but must sometimes use a prospectus to raise funds. There are other restrictions that a Pty. Ltd. corporation must adhere to as well; you should consult with your legal advisers before deciding for sure if you want to be a limited corporation.

Stockholders like to invest into companies this way because they can easily put in a little money and experience great growth. You might be interested in incorporating your company because you can easily get a great amount of money invested into your company that you can use as capital to make more money off the company.

If you have big projects coming up that you want to use to grow your company and make much more money than you have before this might be a great option as it will be attractive to investors.

One important part of being an incorporated company is that you have to sell shares (you can be the sole share holder as well though). This has its pros and cons of course. When you sell shares you can in fact lose your interest in the company. Meaning if you don't hold over 51% of the shares you can actually be out voted when big decisions are being made. That is if everyone votes against you so make sure you are confident in how you have structured your share holding.

A good thing about being incorporated is that you and the stock holders have a lot less liability in the company. In a limited corporation you usually have unlimited liability which means the most you can usually lose is your initial investment into the company.

This means if you start out by investing into the company with 1.5 million dollars and it grows to 6 million dollars but then the company goes bankrupt you will lose all that is invested. If you in fact cash out before the bankruptcy then you would get close to $6 million (minus any taxes, of course). Still though you only invested the 1.5 million so that is all you are considered to have lost.

The protection of a limited company in Australia really depends on how much you, as an investor, front to the corporation. In most cases this is all you can lose by investing in the company, and you will not have to worry about any of your personal assets if the company goes south.

Again seek legal advice on if this structure is the best for you and if you wish to register your new company simply go here www.companiesnow.com.au