

# Company Law

by

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How often have you passed through town and wondered what exactly those businesses calling themselves “trust companies” actually did? Even if you have, have you also wondered what possible relevance could they be to you or any other resident of this island?

You may know that BVI is home to over 700,000 companies. If you thought they belonged to the distant world of international business with no real local connection then, until January 1<sup>st</sup> next year you would be nearly right! However, from then every international business company will need to be in a new form, and that form is the very same as the one you would now get if you set up a limited company to sell sand in Brandywine Bay, or fruit juice in East End. The new “BVI Business Company” is here!

Now why would you set up a company to sell anything? Why not just buy the product yourself and sell on at a profit? What’s the big deal about forming a company? All good questions, but most people interested in starting a business, especially a trading business want the same thing; to make money. It is a short step to guess most people would also want to avoid making a loss or facing a liability if it was a simple to do so. The limited company is the easiest way to do this. Think of a limited company as a separate person with its own identity. That person is as capable of incurring liabilities or making money as you or me, but whereas you personally could have most things you own taken away from you to satisfy a liability if you are adjudged to be required to meet a liability, a

liability incurred by a limited company stops at the value of the assets of that company.

Let's take a simple example. If John builds a house for Dale but his poor workmanship results in the house falling down, causing loss to Dale then if John did the deal John meets the liability. True, John could have insurance and that will assist, but next year John's policy is likely going to cost more. If John however, did the deal through his company John Limited, then only so far as John has assets in that company is he at risk and if those assets are kept small because John pays himself a salary from the company, then John has insulated himself against personal liability in the event of a law suit. It really is that simple: no matter how big the company.

Limited liability companies are easy to form. They are governed by their own constitution, documents called a Memorandum and Articles (commonly called "M&A's"), and are run by directors (the number of which can set in the M&A's). Taking a position as director of your own company is entirely normal. Ownership of a company is determined by who owns shares in it, and the company is set up with a small investment of money in order to create a certain number of shares. For example, John is likely to have created 1 share at a cost of \$1. If John wanted to share the ownership of the business he could just as easily created two shares and split the ownership 50/50.

Of course companies can be used for much more complex matters, but it is easy to lose sight of the fact they offer very basic, very secure protection for the local businessman. To set up a company is cheap and easy and any of the many trust companies ought to be able to help. A small investment now can protect your personal wealth in the future.