

# THE LIMA SPOTLIGHT

## UNDERSTANDING BUSINESS AND COMPANY FORMATIONS IN GHANA

AN ARTICLE BY MS. LIDDELL YORKE

In our introductory article, we delve into the intricacies of business and company formations in Ghana. It's essential to clarify the terminology surrounding these concepts to provide a comprehensive understanding.

### DEFINING BUSINESS AND COMPANY:

A "business" encompasses a broad spectrum of entities, including for-profit, not-for-profit, and nonprofit organizations or services. Conversely, a "company" pertains to the legal structure formed by officers, subscribers, and related parties to establish a recognized lawful entity. The key distinction lies in their structural composition: a company constitutes a separate legal entity, while a business may be owned by an individual trading under a business name. In practice, these terms are often used interchangeably.

### REGISTRATION VS. INCORPORATION:

In Ghana, businesses can be categorized as either registered or incorporated, each subject to distinct regulatory Acts.

Registration involves the formal, official, or legal certification or authentication of entities such as Business Names, Sole Proprietorships, Subsidiaries, and External Companies. These entities assume the identity of their parent 'person,' namely the individual, Holding Company, or Parent Company incorporated outside the Republic of Ghana.

Incorporation is the process of registering a business in compliance with the state's laws as a separate legal entity from the individuals involved. This process is governed by the Companies Act of 2019 (Act 992).

### UNDERSTANDING LEGAL TERMINOLOGY:

It's crucial to differentiate between an "Act" and a "Law." An Act is a legal provision enacted by parliament for specific purposes or areas of law, while a Law is established and enforced by the government to regulate the conduct of citizens within a jurisdiction. The Companies Act, such as Act 992, functions as a law that governs how businesses operate in Ghana.

### FORMATION OF INCORPORATED COMPANIES:

Under the Companies Act of 2019 (Act 992) in Ghana, one or more individuals aged 18 and above can establish an incorporated company. These companies may be publicly or privately held, falling under four primary types of corporate bodies as outlined in Section 7 of the Act:

- (a) Company limited by shares;
- (b) Company limited by guarantee;
- (c) Unlimited company;
- (d) External company.

### ROLE OF THE REGISTRAR OF COMPANIES:

While different Acts govern various types of registrations, the Office of the Registrar of Companies (ORC) plays a central role in overseeing all business and company registrations, irrespective of their specific Acts. The Registrar of Companies is mandated by the Act to facilitate and regulate these registrations.

In conclusion, the formation of businesses and companies in Ghana is a multifaceted process governed by distinct Acts and laws. The Office of the Registrar of Companies serves as the central authority responsible for these registrations, ensuring compliance with legal provisions.

If you have any inquiries or require assistance with registering your company or business, please feel free to reach out to me, Liddell, from the Regulatory Compliance department, at our office on the 4th Floor, One Airport Square, Airport City, Accra, or contact me directly at 0236848299.



## PROFILE | LIDDELL YORKE

Liddell is a Senior Associate in the Compliance Department at LIMA Partners, where she embarked on her professional journey immediately after completing her education. She specializes primarily in immigration services and company formation, along with overseeing general corporate compliance for our valued clients. In addition to her core responsibilities, Liddell adeptly fulfills Company Secretarial duties during client board meetings.

Liddell is a distinguished professional, holding a First-Class Honors degree in Business Administration from the American College of Dubai, which underscores her commitment to excellence and dedication to her field. Her expertise and unwavering work ethic make her an invaluable asset to our team at LIMA Partners.