

Business Organizations

What is an Organization?

- A group of people working together in a coordinated (formal) way to achieve common goals.
- A consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.
- **Examples:** Schools, hospitals, tech companies, NGOs, universities, banks, startups.

Key features

- Formal structure
- Division of roles and responsibilities
- Continuous existence
- Shared goals and strategy

Types of Organizations (Globally and in Pakistan)

Type	Description	Example (Pakistan)	Example (Global)
Public Sector Organization	Owned and operated by the government for public service.	NADRA, PIA, State Bank of Pakistan	NASA, BBC, NHS
Private Sector Organization	Owned by individuals or private groups for profit.	DPL, Systems Ltd, TPL Corp	Google, Microsoft, Tesla
Non-Profit Organization (NPO)	Operates for social welfare or education, not profit.	Edhi Foundation, Shaukat Khanum	UNICEF, Red Cross, Wikimedia Foundation
International Organizations	Operate across borders, often for development or regulation.	UNDP Pakistan, WHO	United Nations, World Bank, WTO

Types of Business Structures



Sole
Proprietorship



Partnership



Limited
Partnership



Corporation



Limited Liability
Company



Nonprofit
Organization



Cooperative
(Co-op)

Business Structures in Pakistan

Non-Corporate Structures

1. Sole Proprietorship

- Sole proprietorship is the simplest form under which an individual can conduct a business. An individual who runs his own business.
- No legal formalities for setting-up
- It is not a separate legal entity and responsibility of liabilities and debt rest with the proprietor. The Individual is liable for all debts / risks
- Sole Proprietor pays the taxes on his personal income.
- Sole proprietorship is registered with the Federal Board of Revenue and Tax registration if income exceeds a threshold.

Business Structures in Pakistan

Non-Corporate Structures

2. General Partnership or Association of Persons (AOP)

Feature	Explanation
Multiple owners	At least two people come together to do business. There's no upper limit defined in law, but practically, it's small and manageable.
Partnership Agreement	A written document called a Partnership Deed defines ownership shares, profit/loss division, and rules for decision-making.
Not a separate legal entity	The firm itself does not have its own legal personality . Contracts and liabilities are in the names of the partners.
Unlimited liability	If the firm cannot pay its debts, partners' personal assets (like property or savings) can be used to pay creditors.
Joint and several liability	Each partner is jointly (together) and severally (individually) responsible for the firm's liabilities.
Taxation	The AOP pays tax once on its total income, and partners do not pay tax separately on the profit they receive. Registered with FBR as an AOP for obtaining a National Tax Number (NTN).
Registration	Registered with the Registrar of Firms under the Partnership Act 1932 in each district. Registration makes it easier to open bank accounts, enter contracts, etc.

Business Structures in Pakistan

Non-Corporate Structures

2. General Partnership or Association of Persons (AOP) - Agreement

- The Partnership Deed is like the “constitution” of the partnership.

There are at least 10 key provisions that every partnership agreement should include:

1. Firm name and business type
2. Partners' names and addresses
3. Capital contribution by each partner
4. Profit and loss sharing ratio
5. Decision-making powers
6. Rules for adding or removing partners
7. Handling of partner's death, withdrawl, etc.
8. Duration (fixed term or indefinite)
9. Banking arrangements
10. Dissolution procedure

Business Structures in Pakistan

Corporate Structures (Registered with SECP)

Type	Description	Example	Notes
Limited Liability Partnership (LLP)	Combines features of partnership and company; partners' liability is limited.	Law or IT consulting firms	Introduced to encourage professional firms
Single Member Company (SMC Pvt. Ltd.)	One shareholder and one director (can nominate alternates).	Individual IT founder starting a startup	Great for freelancers who want legal structure
Private Limited Company (Pvt. Ltd.)	2–100 shareholders, not publicly traded.	DPL Pvt. Ltd., Airlift	Most common structure for tech startups
Public Limited Company (Ltd.)	Shares traded on stock exchange, open to public investment.	Engro Corp, Lucky Cement	More regulatory requirements, large capital needed

Business Structures in Pakistan

Corporate Structures

Limited Company

- Commonest form and most suitable for most businesses

Fundamental Principles and Advantages:

- Corporate legal identity and professional status
- Divided ownership / shares / stakeholders
- Limited obligations for owners in case of debt liability
- Tax efficiency and planning
- Credibility and trust
- Protecting a company name

Constitution

- Name, location / country of registered office, objectives, liability clause(s), authorized share capital, number of directors and their selection / removal etc.

Business Structures in Pakistan

Corporate Structures

Public vs Private Limited Company

Basis For Comparison	Public (Ltd) Company	Private (Ltd) Company
Meaning	A company which is owned and traded publicly.	A company which is owned and traded privately.
Minimum Members	7	2
Maximum Members	Unlimited	100
Minimum Directors	3	2
Suffix	Limited (Ltd)	Private Limited (Pvt Ltd)
Start of Business	After receiving certificate of incorporation and certificate of commencement of business.	After receiving certificate of incorporation.
Statutory Meeting	Compulsory	Optional
Issue of Prospectus	Obligatory	Not required
Public Subscription	Allowed	Not allowed
Quorum at AGM	5 members must present in person.	2 members must present in person.
Transfer of Shares	Free	Restricted

Business Structures in Pakistan

Corporate Structures

Single-Member Company (SMC)

- "A Single Member Company means a private company which has only one member/director and will avail the privileges of limiting the liability." (**SECP / Companies Ordinance 1984**)

Aspect	Description
Law	Companies Act, 2017 (previously Companies Ordinance, 1984)
Regulator	Securities & Exchange Commission of Pakistan (SECP)
Legal Status	Separate legal entity (distinct from the owner)
Type	Private Limited Company
Suffix	Must end with "(SMC-Private) Limited"

Business Structures in Pakistan

Corporate Structures

Single-Member Company (SMC)

- Any person may form a single member company in Pakistan.
- Subject to certain modifications, all the provisions of the Companies Ordinance, 1984 which apply to private companies limited by shares will apply to single member companies.
- The introduction of the concept of a single member company has facilitated sole proprietorships to obtain corporate status, giving them the privilege to limit the liability of their proprietor.
- All the shares are vested with single member/director, however, person is required to nominate two individuals, one of whom shall become nominee director in case of death of the single member/director and the other shall become alternate nominee director to work as nominee director in case of non-availability of the nominee director, and also
- Single-Member Company is required to appoint a company secretary.

Business Structures in Pakistan

Corporate Structures

Single-Member Company (SMC) - FAQs

Question

Can Single Member Company be converted into private company?

Can single member company issue shares to public?

Can sole director in single member company act as secretary?

I want to wind up single member company what procedure to follow?

Is it mandatory in single member company to appoint nominee director?

Answer

Yes, a single member company can be converted into a private company on increase of the number of its members/directors to more than one. A private company having two or more members can become a single member company by passing a special resolution for change of its status and by making necessary alteration in its articles and obtaining approval from the Securities & Exchange Commission of Pakistan.

No, single member company cannot issue invitation to the public to subscribe for any share of the company.

Sole director cannot be the secretary in the Single Member Company.

The company shall follow, in case of its winding up, the relevant provisions of the Companies Ordinance, 1984.

The single member shall nominate two individuals, one of whom shall become nominee director in case of death of single member and the other shall become alternate nominee director to work as nominee director in case of non-availability of the nominee director.

Business Structures in Pakistan

Corporate Structures

Single-Member Company (SMC) - FAQs

Question

What is the pattern and style of the name of a single member company?

Can single member company increase its share capital?

Can one person be the sole director in a non-profit company incorporated under section 42 of the Company law in Pakistan?

Do single member companies have to keep accounting records?

Can foreigner incorporate a single member company under company's law in Pakistan?

Answer

"XYZ (SMC-Private) Limited" is the pattern and style of the name of a single member company.

Yes, single member company can increase its share capital after complying with the requirements of law.

Non-profit companies are formed under section 42 of the Companies Ordinance, 1984 and require having at least three directors.

Yes. Single member companies must keep proper accounting records according to law and to file the audited accounts with Securities & Exchange Commission of Pakistan if the paid-up capital is 7.5 million or more.

Yes, if he is resident of Pakistan.

Legally Recognized Entities in Pakistan

Entity Type	Legal Status	Registration Authority	Law / Regulation	Example
Sole Proprietorship	Legal entity <i>for tax & business</i> , but not separate from owner	FBR	Income Tax Ordinance 2001	A freelancer registering for NTN
Partnership / AOP	Legal entity, but partners are jointly liable	Registrar of Firms	Partnership Act 1932	Local software firm with 2-3 founders
Limited Liability Partnership (LLP)	Separate legal entity	SECP	LLP Act 2017	LawTech, FinTech consultancies
Private Limited Company (Pvt. Ltd.)	Separate legal entity	SECP	Companies Act 2017	DPL Pvt. Ltd.
Single Member Company (SMC Pvt. Ltd.)	Separate legal entity	SECP	Companies Act 2017	Solo IT founder startup
Public Limited Company (Ltd.)	Separate legal entity	SECP, PSX	Companies Act 2017	Engro Corp, Systems Ltd
Non-Profit Company (Section 42)	Separate legal entity	SECP	Section 42, Companies Act 2017	P@SHA, TCF
Cooperative Society	Legal entity	Registrar of Cooperative Societies	Cooperative Societies Act 1925	Farmers' Co-ops
Trust / Foundation	Legal entity (for social causes)	EDO (Revenue) or Islamabad ICT	Trust Act 1882	Edhi Foundation, Rizq Trust
NGO (registered under Societies Act)	Legal entity	Provincial/ICT Registrar	Societies Registration Act 1860	Pakistan Red Crescent

Organizational Forms That Are Not Legal Entities by Themselves

Type	Legal Entity?	Usually Operates As	Notes / Example
Startup	Not by itself	Registers as SMC or Pvt. Ltd.	"Startup" = stage of business, not structure
Social Enterprise	Not by itself	Section 42 company, trust, or Pvt. Ltd.	Mixes profit and purpose (e.g., Sehat Kahani)
Joint Venture (JV)	Not automatically	Usually a contract between companies or a new Pvt. Ltd.	Legal form depends on agreement
Multinational Corporation (MNC)	Each local branch is a legal entity	Registers as Pvt. Ltd. or Branch Office under SECP	Microsoft Pakistan Pvt. Ltd.
Freelancer / Gig Worker	Taxable individual, not a company	Registers for NTN at FBR	Self-employed individual
Open-Source Community / Organization	Not by itself	Usually foundation or non-profit (Section 42)	Linux Foundation, Mozilla
Remote / Virtual Company	If registered under SECP or foreign body	Legal entity, even if no office	Any company operating remotely
Platform Business (e.g., Uber, Foodpanda)	Yes	Pvt. Ltd. or foreign subsidiary	Legal entity with contractual user base
Accelerator / Incubator	If registered	Section 42 company or Pvt. Ltd.	NIC, Plan9

Global Company Types (USA)

Pakistan Entity Type	Description (Pakistan)	Closest U.S. Equivalent	Description (USA)
Sole Proprietorship	Single individual owns and manages the business. No legal separation between owner and business.	Sole Proprietorship	Exactly the same: one owner, full personal liability, profits taxed as personal income.
Partnership / AOP (Association of Persons)	Two or more people carry on business for profit. Not a separate legal entity; partners have unlimited liability.	General Partnership (GP)	Two or more people share profits and losses. Partners are personally liable for business debts.
Limited Liability Partnership (LLP)	Hybrid of company and partnership. Separate legal entity where partners' liability is limited to their contribution.	Limited Liability Partnership (LLP)	Identical structure. Partners' liability limited; profits pass through to partners for tax purposes.
Private Limited Company (Pvt. Ltd.)	Registered company with 2–100 shareholders. Shares are privately held and not traded publicly.	Limited Liability Company (LLC) <i>(and sometimes closely resembles a Private Corporation)</i>	LLC gives limited liability with flexible ownership; not publicly traded. Similar to a Pvt. Ltd. in function.
Single Member Company (SMC Pvt. Ltd.)	Private Limited Company with only one shareholder/director. Limited liability protection for individuals.	Single-Member LLC (SMLLC)	One-owner LLC with limited liability. Taxed as an individual unless otherwise elected.
Public Limited Company (Ltd.)	Shares can be offered to the public. Must issue a prospectus and follow SECP regulations.	Corporation (Inc.) / Publicly Traded Corporation	Companies whose shares are listed on stock exchanges (e.g., Apple Inc., Microsoft Corp.).
Non-Profit Company (Section 42)	Formed for charitable, educational, or social objectives. Profits cannot be distributed.	Nonprofit Corporation (501(c)(3))	Tax-exempt entity formed for public benefit. Donations may be tax-deductible.
Trust / Foundation	Entity created for managing assets for a specific purpose, often charitable.	Trust / Foundation	Similar purpose and function. Used for estate, charitable, or nonprofit management.
Cooperative Society	Member-owned enterprise providing goods or services to members.	Cooperative (Co-op)	Identical model: owned and operated by members for mutual benefit (e.g., credit unions, dairy co-ops).
Public-Private Partnership (PPP)	Collaboration model between government and private sector for public projects (not a legal entity).	Public-Private Partnership (PPP)	Same concept: government and private entities jointly fund or operate infrastructure or innovation projects.
Branch Office of Foreign Company	Foreign company registered with SECP to operate in Pakistan.	Foreign Corporation / Branch Office	Similar structure: foreign company authorized to operate under U.S. state laws.
Society / NGO (under Societies Act 1860)	Non-profit voluntary association registered for cultural, educational, or charitable purposes.	Unincorporated Association / Nonprofit Organization	Informal or registered body for social or educational work. Not for profit.

Thank You