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Forms of Business Entities

Sole Proprietorships, Partnerships
and Companies



LaunchPad

What are the types of business entities under Ghanaian law?

The types of business entities in Ghana are;

- Sole Proprietorships
- Partnerships
- Companies

Sole proprietorship

What is a sole proprietorship?

A sole proprietorship is an unincorporated business that is owned and controlled by one person as the sole owner responsible for all the liabilities of the business. Essentially, the business and its owner are the same person. A sole proprietorship is the most common form of business organization in Ghana because it is simple to set up and cost-efficient.

Do I have to register my sole proprietorship business?

Not necessarily. If you are running your sole proprietor business with your own name, you do not have to register it. However, if you are running the business under a name that is different from your name (a business name), you must register the business name.

Partnerships

What is a partnership?

A partnership is the coming together of two or more people to operate a business jointly for the purpose of making profits. A maximum of 20 people can exist under one partnership.

Does a partnership have to be registered?

Yes, a partnership must be registered with the Registrar-General's Department to be recognized in Ghana.

Are the partners free from liability incurred by the registered partnership?

No, partners are not free from the liability incurred by the registered partnership. Although registration of a partnership makes it a corporate body separate from the individual partners, the individual partners of the firm are still responsible for the debts and obligations of the firm.

Company

What is a company?

A company is an incorporated entity which is separate from the people who form the entity and is run by directors.

What are the different types of companies?

In Ghana, there are four types of companies. They are companies limited by shares, companies limited by guarantee, unlimited companies and external companies. Any of these may also be a private company or a public company.

What is a company limited by guarantee?

This is a company set up for non-profit, social or charitable purposes. It is not allowed to create or issue shares. The personal liability of the members of a company limited by guarantee is limited to the amount that the individual members pledge to contribute to the assets of the company if the company has to be wound up.

What is an unlimited company?

This is a profit-making company where there is no limit on the personal liability of the shareholders.

What is the difference between a private company limited by shares and a public company limited by shares?

While a private company limited by shares can only have a maximum of 50 members and places restrictions on the right of shareholders to transfer their shares, a public company limited by shares can have as many members as possible and does not restrict shareholders' right to transfer shares. Private companies limited by shares are also not allowed to make invitations to the public to acquire their shares or to deposit money, but public companies limited by shares are allowed.

What is an external company?

An external company is a foreign company which has a registered place of business like a branch, management or registration office, or a factory in Ghana.

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Launchpad's primary purpose is to help early-stage businesses meet regulatory and compliance standards necessary to grow without breaking the bank. We do this by providing free educational material and discounted advisory services to deserving young businesses.

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