



S.O Oloruntimehin & Co.

Differences Between Public and Private Companies in Nigeria

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When registering a company in Nigeria, most founders are usually stuck on which type of business entity they should register. There are different types of business entities that can be registered pursuant to the extant governing law in Nigeria, Companies and Allied Matters Act 2020. Below are some examples:

Private Limited Company

Public Limited Company

Company Limited by Guarantee

Unlimited Company

Sole Proprietorship

Partnership

A private limited company is often recommended when the capital available to start a business is relatively small or where small to medium scale business organizations need to acquire corporate status. A public limited company is typically

recommended when an unlimited number of members is preferred or when a medium to large scale business needs to acquire corporate status.

In this article, we shall be examining the differences between a public and a private company in Nigeria.

1. A private company restricts the transfer of its shares to the public. While a public company does not restrict the transfer of its shares. Consequently, a public company can invite members of the public to subscribe its shares and debentures.
2. The authorized minimum share capital of a private company is NGN100,000 while that of a public company is NGN2,000,000.
3. The membership of a private company is between 1 to a maximum of 50 persons while a public company can have an unlimited number of members.

4. A private company cannot invite the public to subscribe to its shares except as authorized by law while a public company can invite the public to subscribe to its shares.
5. In private companies, a written resolution approved by all members can be used in the stead of the convening of a formal general meeting for members. However, in a public company, a general meeting of the members (for instance, the Annual General Meeting) must be convened, albeit a physical or virtual meeting.
6. The secretary of a private company is not required to have a specific qualification, save for, the knowledge and skills for the role. In contrast, the secretary of a public company must have certain necessary qualifications which are compulsory.
7. A private company is not required to hold statutory meetings while a public company must hold statutory meetings.
8. The name of a private company must end with the word **“Limited”** or **“LTD”** while the name of a public company must end with the word **“PLC”**.

In sum, the regulatory compliance requirements for a public company are usually more than the regulatory requirements for a private company. As garnered from the above analysis, there exists a plethora of differences between a public limited company and a private limited company. Are you in the process of registering a new business?

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