

## Companies Limited By Guarantee

Advantages	Disadvantages
Creating a legal entity separate from its members	It's more expensive to register than an incorporated association
All the other advantages of an incorporated association	Compliance with the requirements of the Corporations Act is more expensive and onerous than compliance with the Associations Act
The ability to carry-on business outside of a home state as a company's registration is recognised Australia-wide	A company limited by guarantee and registered on or after 28 June 2010 cannot pay dividends to its members

### Definition

- A company limited by guarantee is a public company which is formed for purposes beneficial to the community
- Registered under the Corporations Act 2001 which is Commonwealth legislation administered by ASIC
- Limited by guarantee means that the members guarantee to pay a fixed but small amount of money in the event of the liquidation of the company
- The members agree in writing (known as a 'guarantee') to pay a nominal amount (usually \$20 - \$100) to the property of the company. If the company is wound up, the liability of the members is limited to the nominal amount that they have guaranteed

### Requirements

- To have at least three directors, one secretary & one member
- To have a registered office address and principal place of business located in Australia
- To be internally managed by a constitution or replaceable rules

## Financial Reporting Obligations

Companies limited by guarantee have a three-tier reporting framework, as shown in the following table. These changes apply to financial years ending on and after 30 June 2010

Tier	Type of company	Obligations
<b>1</b>	Small company limited by guarantee.	Unless directed by a member or ASIC, does not have to: <ul style="list-style-type: none"> <li>• prepare a financial report or have it audited</li> <li>• prepare a directors' report, or</li> <li>• notify members of annual reports</li> </ul>
<b>2</b>	Company limited by guarantee with annual (or consolidated) revenue of less than \$1million	Must prepare a financial report. Can elect to have its financial report reviewed, rather than audited. Must prepare a directors' report, although with less detail than that required of other companies. Must give annual reports to any member who elects to receive them.
<b>3</b>	Company limited by guarantee with annual (or consolidated) revenue of \$1 million or more.	Must prepare a financial report. Must have the financial report audited. Must prepare a directors' report, although with less detail than that required of other companies. Must give annual reports to any member who elects to receive them.

Please contact us if you would like more information as to the setting up of a Company Limited by Guarantee - The law in this area is quite detailed, and the penalties that ASIC imposes for non-compliance with the law are quite significant.

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