

Companies Act 2014 - Similarities between the CLS/LTD and DAC company types

There are strong similarities between these company types - What are they?

- Both will be private limited companies, limited by shares.
- Both can have up to 149 members (excluding employees who are members and former employees who were and continue to be members).
- Both must have at least two officers¹ at all times.
- Both will have a “constitution”, although the CLS constitution will be a single-document constitution and the DAC’s will be divided into a two-part, single-document constitution, consisting of a memorandum of association and articles of association.
- Both the CLS/LTD and the DAC will be able to have just one member.
- A single-member CLS/LTD and a single-member DAC will be able to dispense with holding an AGM, subject to complying with certain formalities.²
- Neither company type will be able to offer securities to “the public”, subject to limited exceptions.³
- Both types may be able to claim eligibility for the small company audit exemption and the dormant company audit exemption.
- Both company types will be largely subject to the same body of company law as set out in the Act, subject to a number of features which will only apply to the CLS/LTD type, such as unlimited corporate capacity, the ability to have only one director, and the option of not having an authorised capital.⁴

¹ In the case of the CLS/LTD, it may have just one director (see s.128) but if it does, it must also have a secretary, who may not also be a director (see s. 129(6)). In the case of the DAC, it must have two directors (see s. 985) one of whom may be the secretary (see s. 129, as applied to the DAC by s. 964).

² Note however that while a multi-member CLS/LTD will still be able to dispense with holding an AGM subject to complying with the same formalities, a multi-member DAC will not: see s. 988, which modifies the application of s. 175 (3) and (4), which are the provisions enabling the holding of an AGM to be dispensed with, in the case of multi-member DACs.

³ Although a DAC can have its debentures admitted to trading or listed on any market (see s.981).

⁴ In the case of the DAC, s.964 provides that the same body of law that applies to the CLS/LTD type will also apply to the DAC, subject to specific exceptions. For a detailed note of these exceptions, please see our “Introductory Guide to the Conversion of your Existing Private Limited Company”, which is available on request. For a note on the key features of the new legislation, see our Client Guide entitled “The Companies Act 2014 – A Guide to the Highlights”, also available on request.