17. The maintenance of capital

This chapter addresses what is known as the capital maintenance doctrine — a series of rules designed to protect the company's creditors by ensuring that capital is maintained and not returned to the company's members. Any limited company can reduce its share capital by passing a special resolution followed by court confirmation. A private company can reduce its share capital by passing a special resolution supported by a solvency statement. On the other hand, public companies are generally prohibited from providing financial assistance to others to acquire their shares. Meanwhile, a company can generally only pay a dividend out of distributable profits. The typical three-stage process for paying dividends is the directors recommend an amount to be distributed by way of dividend; the company declares the dividend by passing an ordinary resolution; and the dividend is paid out.
17. The maintenance of capital

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