Legal Entity Reduction

Background

Group structures, particularly those which have been subject to multiple acquisitions, are frequently unnecessarily complex, include a plethora of non-trading entities and have complicated and inefficient intercompany debt arrangements. In addition, in the context of the introduction of the Companies (Accounting) Act 2017, many traditional accounts non-disclosure structures have become redundant and a more streamlined group structure is more appropriate.

Large and complex group structures lead to group inefficiencies as superfluous subsidiaries put pressure on resources both financially and operationally. Simplifying the group structure by eliminating redundant and surplus entities can:

- promote a marketable group structure;
- free up resources to focus on business critical issues;
- reduce the risk of non-compliance with legal obligations;
- significantly reduce maintenance costs;
- eliminate corporate memory issues; and
- bring early resolution to contingent liabilities.

Methods of Dissolution

There are three different methods to tackle legal entity reduction:

1. Dissolution by Voluntary Strike Off
2. Dissolution by Members Voluntary Liquidation (MVL)
3. Dissolution by Merger by Absorption using the Summary Approval Procedure (SAP).

When choosing the most appropriate method of dissolution for an entity, consideration must be given to the required timing, publications and exposure to liability.

The below table summarises and compares the characteristics of the three different methods of dissolution:

	Dissolution by Voluntary Strike Off	Dissolution by MVL	Dissolution by Merger by Absorption using SAP
Summary	A dormant company or one that has ceased to trade which has assets and liabilities of €150 or less can apply to the Companies Registration Office (CRO) to be struck off.	Involves the members of a company placing it into liquidation and appointing an individual as the liquidator.	A mechanism whereby, on being dissolved without going into liquidation, all the assets and liabilities of a company are transferred to a company that is the holder of all the shares representing the capital of the first mentioned company.
Estimate of Timing	3 months once documentation is lodged with the CRO	6 months to 2 years	Less than 3 months
Required Publications	Newspaper advertisement Notice in CRO Gazette of application for strike-off Notice in CRO Gazette of completion of strike-off	Notice in CRO Gazette of shareholder resolution to approve MVL If creditors' meeting is called notice of same to be published in 2 daily newspapers and CRO Gazette	None provided merger is effected by SAP
Liability Exposure Timeframe	Can be restored to the Register of Companies within a period of 20 years after dissolution	Can be reinstated to the Register of Companies within a period of 2 years after its dissolution	Transferor company cannot be reinstated to the Register of Companies By operation of law, liabilities of the transferor company become those of the successor company from the effective date of the merger

Why Choose KPMG?

KPMG Legal Company Secretarial have a proven track record in assistance with entity reductions and offer competitive pricing with discounts for multiple eliminations. Importantly, KPMG's multi-disciplined (audit, tax and legal) and flexible approach can be tailored to your specific needs, resulting in a simplified group structure.

Methods of Dissolution

For further information in relation to entity simplification or if you have any specific company secretarial queries, please do not hesitate to contact Sinéad Humphreys, Manager, KPMG Legal Company Secretarial.

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