

Disposal of Unwanted Companies...

Unwanted companies can be disposed of in one of two ways. The first is by way of a short form liquidation under section 318(1)(d) of the Companies Act 1993. The second is by way of amalgamation with another company.

Short form liquidations are straight forward. Essentially they simply entail a request to the Registrar of Companies to remove the company from the register. That request can be made where the company has ceased to carry on business, has discharged in full its liabilities and distributed its surplus assets. Perhaps the biggest obstacle to this path is the requirement to notify the IRD and obtain their consent.

Amalgamation can also be straight forward, particularly where the companies involved are in the same group or are sister companies. Benefits of an amalgamation include the ability of the amalgamated company to retain unrealised capital gains of the amalgamated companies and then distribute them to the shareholders without these constituting a dividend, and the ability to transfer amalgamating company losses to the amalgamated company. A disadvantage is that the amalgamated company takes on any liabilities of the preceding companies. Further, the tax results can be complicated. Either way, we would be happy to advise in these respects.