

Affinity member alert

Corporate simplification and solvent liquidations

Introduction

Put simply, clarifying your corporate arrangements will free up time and save you money. Overly complicated group structures and redundant entities that can accumulate over time erode profits through unnecessary costs each year.

A corporate simplification program is a careful review of your corporate structures to identify extraneous entities that can be removed and deregistered. The program focuses on simplifying your corporate structure by improving corporate governance and transparency, increasing tax efficiency, reducing director exposure and streamlining group structures.

Where an entity is no longer required, a member's voluntary liquidation may be necessary, whereby a solvent entity is liquidated. Such liquidations are often undertaken where there is a tax advantage that can be realised. They are also relevant where an entity is seeking certainty that all assets and liabilities have been addressed, or if an entity does not meet ASIC's deregistration requirements.

The benefits of a member's voluntary liquidation include:

- 1 Taxation benefits applicable to liquidators' distributions of pre-capital gains tax reserves retain their tax exempt status.
- 2 The ability to obtain taxation clearances from the appropriate taxation authorities.
- 3 Reduced risk for directors and improved corporate governance

- 4 A decreased likelihood of debt enforcement after deregistration due to the formal advertising process required during a member's voluntary liquidation – any outstanding debts which might be claimed after deregistration cannot be enforced.

After completion of any liquidation the process to reinstate a company's registration is more difficult and may require application being made to the court and cause shown as to why the company should be reinstated.

Although companies may be eligible to simply apply to ASIC to have their corporate registration cancelled, under the deregistration process there is not the same level of diligence undertaken nor comfort provided to directors compared to a member's voluntary liquidation.

Further, if a deregistration process is followed, any creditor or the ATO can apply to ASIC to have the company reinstated, which is a reasonably simple procedure.

Consider whether your client has any dormant entities or entities that may benefit from a solvent member's voluntary liquidation.

If you would like to discuss corporate simplification further and how it may benefit your clients, please contact your usual Affinity advisor or one of the Affinity State Leaders below.

Grant Thornton's Corporate Simplification Centre of Excellence

Grant Thornton has established a dedicated Corporate Simplification Centre of Excellence. Our team of specialist advisors have extensive experience in delivering cost effective services reducing and simplifying corporate structures across a range of organisations from large public listed family companies to family owned businesses.



Grant Thornton

An instinct for growth™

About Grant Thornton Affinity

Grant Thornton Affinity started in 1996 (formerly known as Insolink) with the aim of providing non-competitive specialist support services to its member network of accountants, lawyers and professional advisers.

Aligned to Grant Thornton's focus on the dynamic mid-market segment, Grant Thornton Affinity supports members who seek assistance in addressing the needs of their clients, in areas outside of their own immediate skill sets.

It has been fundamental to the success of Grant Thornton Affinity that services are offered in support of members, not in competition to them. The relationship between you and Grant Thornton Affinity is a mutually beneficial partnership focusing on growing together.

Take advantage of our free advisory service for Affinity members

We trust that those of you who have recently contacted our **sounding board service**, accessing a Grant Thornton Affinity representative, found the experience beneficial in troubleshooting your specific client issues. For those of you with a current client query, we encourage you to access this service and obtain confidential advice by contacting your usual Grant Thornton representative or relevant State Leader.

For more information contact your usual Grant Thornton advisor, or:

Adelaide

Yan Wong

T +61 8 8372 6609

E yan.wong@au.gt.com

Brisbane

Joseph Box

T +61 7 3222 0288

E Joseph.box@au.gt.com

Cairns

Tony Jonsson

T +61 7 4046 8850

E tony.jonsson@au.gt.com

Melbourne

Nick Mellos

T +61 3 8663 6005

E nick.mellos@au.gt.com

Perth

David Hodgson

T +61 8 9480 2184

E david.hodgson@au.gt.com

Sydney

Holly Stiles

T +61 2 8297 2487

E holly.stiles@au.gt.com

Grant Thornton Affinity

Grant Thornton Australia Limited ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

