Members' Voluntary Liquidation

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Members' Voluntary Liquidation for Company Secretaries, Accounting and Law Firms including impact of the Federal Budget 2026-27 measures announced 12 May 2026.

Note for company secretaries, accounting and law firms, practitioners.

The impact on Members' Voluntary Liquidations (MVLs) arising from Federal Budget 2026-27 proposed measures announced on 12 May 2026 could be significant where a company holds pre-CGT assets or has accumulated pre-CGT capital profits reserves.

Practitioners and company secretaries should reassess the timing of proposed pre-CGT asset sales and subsequent MVLs to distribute pre-CGT capital profits reserves in FY2027 rather than later years.

This booklet incorporates Federal Budget 2026-27 measures announced 12 May 2026. Proposed legislation is not available at date of publication of this booklet being 20 June 2026.

We unpack issues for practitioners relevant to MVLs and planning for MVLs. We are subject matter experts in MVLs.

The practical consequences of the Budget measures is that there is a strong incentive to review whether pre-CGT assets should be realised and enter MVL in FY 2027 rather than later years to achieve certainty.

Consultation at no cost
Company directors and advisors are welcome to call David Levi on **+61 418 602 466** for an initial consultation that will not incur a fee. Training for advisors in relation to these and other topics can also be arranged via videoconference.
Levi Consulting services all Australian States and Territories.

At Levi Consulting we support company secretaries, accounting firms, law firms and directors through the members' voluntary liquidation process delivering a pre-appointment review and then a formal liquidation of a solvent company.

Our referrers for members' voluntary liquidations are accounting firms, law firms and company secretaries. We have completed over 300 members' voluntary liquidations. On each, David Levi has performed a pre-appointment review and recommendations to ensure no unexpected issues arise. As subject matter experts in members' voluntary liquidation, we can identify issues up-front and easily, with solutions.

1. What is a Members' Voluntary Liquidation?

Members' voluntary liquidation is a formal process used to wind up a solvent company. It involves appointing a liquidator to realise assets, pay any liabilities, and distribute surplus assets to shareholders and thereafter deregistration by ASIC. Suitable for dormant companies or companies that have recently ceased operating. The only condition is that the company is solvent - able to pay its debts within 12-months.

Members' voluntary liquidation is often chosen for reasons such as:

- Group simplification to enable the number of redundant companies in a group to be reduced to save forward compliance and secretarial costs.
- Tax efficiency. A members' voluntary liquidation may allow a more tax efficient exit than selling or otherwise transferring assets.
- Distribution of surplus assets. A members' voluntary liquidation achieves distribution of surplus assets to shareholders (cash, property, directors' loans, shares) to shareholders in a tax efficient manner either in cash or in-kind (in-specie).

2. Why pre-appointment planning?

Perhaps what distinguishes our success in members' voluntary liquidations is that we perform pre-appointment planning with the referrer. It typically takes less than an hour to perform. Where requested we will document up-front. Our planning includes:

- Review company's structure (directors, shareholders, classes of shares and rights on distribution of surplus assets).
- Review current financial position (consider assets, liabilities, nature of assets and liabilities, liquid, non-liquid, consider composition of issued capital, consider the composition and nature of capital reserves, revenue reserves, franking credits).
- Review tax status (last income tax return, final income tax return, tax compliance issues). Existing accountant or tax agent to lodge all returns.
- Forecast the expected position during liquidation through to the final liquidator's distribution including draft of final distribution to allow accountants to pre-determine characterisation of distribution for tax purposes by shareholders.

3. High-level outline

1. All pre-appointment planning issues are resolved. The proposed liquidator consents to act in writing. We draft all necessary notices, minutes and resolutions to achieve appointment.
2. Directors' meeting by circulation. The directors resolve that a members' meeting be held for the purpose of a special resolution that the company enters into members' voluntary liquidation. Directors to sign a Declaration of Solvency (Companies Form 520) confirming that all debts will be paid within 12 months. Appointment occurs at members' meeting.
3. Members (shareholders) meeting by circulation. The members pass a special resolution to liquidate the company via members' voluntary liquidation and appoint the liquidator. The members' meeting is often at short-notice by consent of all shareholders.
4. The liquidator takes control of the company's affairs, complies with statutory requirements – advises ATO, ASIC, other relevant statutory authorities including statutory advertising on ASIC Public Notices Website (PNW) to call for creditors' claims and advertise notification of a proposed final distribution (Corporations Regulations 5.6.48, 5.6.65), obtains tax clearances, and distributes surplus assets to shareholders. Liquidator (in conjunction with referrer) determines whether assets are to be distributed in cash or in specie (by distribution of the assets themselves, like receivables, or in cash) and calculates and conducts the distribution to members. Distributions to members can be capital, revenue or franked dividends as appropriate.
5. When all matters are finalised, the liquidator lodges Companies Form 5603 with ASIC and ASIC proceeds with deregistration.

4. How we help

With deep experience in solvent wind-downs we are trusted partners. We have been in the Australian market performing members' voluntary liquidations (and also, other forms of reconstruction and insolvency) supporting company secretaries, accounting firms, law firms and directors for more than 30 years. Our News and Insights tab on our website provides an overview of our results.

5. Why choose us

We are independent and trusted. We have extensive experience managing members' voluntary liquidations across a wide range of industries and where required, delivering complex group simplifications. We provide end-to-end capability. From pre-appointment planning to final distributions and deregistration we have capability and track-record to provide support to company secretaries, accountants and lawyers and complete members' voluntary liquidations quickly. The delay is often the tax clearances. We press the ATO to expedite.

6. Questions and answers

Q: Can we just deregister instead of members' voluntary liquidation?

Deregistration is suitable if there are no assets or liabilities. If the company has revenue reserves (retained earnings), franking credits or capital reserves, or the company wants to benefit from the process to advertise for claims and obtaining a tax clearance then a members' voluntary liquidation is often safer and can be tax effective.

Q: What if we sign a Declaration of Solvency and later discover debts?

Our pre-appointment review is designed to identify and resolve these risks before the liquidator is appointed.

Q: Is an MVL expensive?

Costs vary with complexity but are usually modest compared to the tax savings and finality it provides. Typically, we offer a fixed fee for pre-appointment planning and a separate fixed fee for liquidation itself.

Q: Can we perform multiple members' voluntary liquidations at once?

Yes. Many group restructures involve multiple companies to simplify group structures and reduce ongoing compliance costs, or we perform in tranches.

Q: Should we use an online service for members' voluntary liquidations?

You can. However, a tailored service is not that more expensive and it reduces risk and surprise. It has been rare for us to have a surprise or to have an issue with the characterisation of the distribution. In a recent matter, for example, there was a court action by a former employee of a company and we were required by the court to keep the members' voluntary liquidation open. It was not foreseeable, and it was a rare occurrence. Our pre-appointment planning process reduces risk and surprise.

7. Case studies

Family Investment Company

A long-established family company holds cash or other assets after selling a commercial property, farm or share portfolio. A members' voluntary liquidation is used to finalise tax obligations, obtain tax clearances and distribute funds to family members tax effectively — especially for pre-CGT capital reserves.

Group Simplification

A holding company domiciled in Australia, Singapore, Hong Kong, Indonesia or otherwise in Asia with dormant subsidiaries uses the members' voluntary liquidation process to wind up dormant companies and reduce compliance costs.

It is common that the members' voluntary liquidation process is used by Asian domiciled holding companies to exit Australian subsidiaries.

8. Note for Practitioners - Federal Budget Impact

The impact on Members' Voluntary Liquidations (MVLs) arising from Federal Budget 2026–27 measures announced on 12 May 2026 could be significant where a company holds pre-CGT assets or has accumulated pre-CGT capital profits reserves.

Practitioners should reassess the timing of proposed pre-CGT asset sales and subsequent MVLs to distribute pre-CGT capital profits reserves in FY2027 rather than later years.

The proposed tax changes announced particularly regarding capital gains tax (CGT) reforms do not contain specific information about the impact on pre-CGT capital reserves in MVLs. However, the proposed changes will impact MVLs.

The CGT reforms outlined include:

1. Replacement of 50% CGT discount. From 1 July 2027 the 50% CGT discount will be replaced with cost-based indexation for assets held over 12 months, and a minimum 30% tax will apply to net capital gains. The intention is to tax only inflation-adjusted gains. Companies were not eligible for the 50% CGT discount and, under the new regime, will not be eligible for indexation relief.
2. Inclusion of pre-CGT assets. The new regime will extend to assets bought pre- 20 September 1985. This is a significant change as pre-1985 assets were generally exempt from CGT. Gains accrued before 1 July 2027 on these assets will likely remain exempt, but gains from 1 July 2027 onwards will be subject to the new (proposed) rules.
3. Transitional rules. For assets acquired after 19 September 1985 but before 1 July 2027 both the existing discount regime (for gains up to 1 July 2027) and the new indexation and minimum 30% tax regime will apply. The value at 1 July 2027 will be used as the cost base for future indexation.

While these proposed changes significantly alter how capital gains including those from pre-CGT assets are taxed, the proposed changes will impact the distribution of pre-CGT capital reserves within the context of MVLs.

No changes have been proposed (yet) in relation to the deemed dividend rules. This is particularly important for MVLs because the unresolved issue is whether future MVL distributions sourced from grandfathered pre-CGT gains will continue to retain their character as a capital distribution rather than a deemed dividend.

In commercial terms, the current strategy is often to (a) sell pre-CGT asset; (b) retain proceeds in company; (c) perform MVL; (d) distribute capital to shareholders on capital account so it is tax free for pre-CGT shareholders and a discountable gain for post-CGT non-corporate shareholders. Until legislation is finalised the impact on that process remains uncertain.

The practical consequence is that the period between now and 30 June 2027 is likely to produce a substantial increase in MVLs involving companies with historic pre-CGT assets, as shareholders seek certainty before the new regime fully takes effect.

1. Current position for pre-CGT reserves in an MVL

Historically, a liquidator in an MVL can distribute:

- share capital;
- pre-CGT capital profits;
- post-CGT capital profits; and
- retained earnings

with different tax consequences to shareholders (provided the distributions are made from separately identifiable funds).

Where a company realised a gain on a pre-CGT asset (acquired before 20 September 1985), that gain generally remained exempt from CGT and could often be distributed through a liquidator as a capital distribution. For pre-CGT shareholders this meant the distribution remained untaxed, but only if made via a MVL.

Any distribution made before an MVL will be a taxable dividend. This is unchanged by the Budget announcements.

For many long-standing private groups, an MVL was the only effective mechanism for extracting value accumulated from pre-CGT assets.

2. What the Budget changes appear to do

The Budget proposes that from **1 July 2027**:

- pre-CGT assets will no longer enjoy an indefinite CGT exemption;
- gains accrued up to 1 July 2027 will remain exempt;
- assets will effectively receive a market-value reset at 1 July 2027; and
- future growth after that date will become taxable when realised.

The critical point is that the proposed changes attacks the underlying tax-free status of pre-CGT assets themselves.

3. Impact on existing pre-CGT capital reserves

3.1 Existing realised reserves

If a company has already sold a pre-CGT asset and has a pre-CGT capital reserve on its balance sheet, the Budget papers do not presently suggest that historical exempt gains become retrospectively taxable.

The announced policy is directed at future gains accruing after 1 July 2027 rather than gains already realised and sitting in reserves.

Accordingly:

- existing pre-CGT capital reserves should continue to retain their historical character;
- reserves distributed in an MVL commenced before any contrary legislation is enacted remain distributable as pre-CGT capital amounts.

Treasury may issue detailed integrity rules because this is the area where large private groups may seek to accelerate restructures and MVLs.

3.2 Unrealised pre-CGT gains

A different outcome arises where:

- the company still owns the pre-CGT asset; and
- the gain has not yet been realised.

After 1 July 2027, future growth is intended to become taxable. Delaying a disposal may permanently reduce the tax advantage previously available. Care will need to be taken in the accounting treatment for any accrued value to 30 June 2027 so that any distribution arising from that value retains a capital character and is not deemed to be a dividend.

4. Broader impact on MVLs generally

4.1 Increased demand

We expect:

- more solvent wind-ups (more MVLs);
- more group simplification projects; and,
- more liquidator's distributions before 1 July 2027.

This is similar to behaviour seen whenever a significant tax grandfathering date approaches.

4.2 Greater emphasis on reserve analysis

The tracing of reserve origins will remain important.

4.3 Valuation issues

Where companies hold pre-CGT assets approaching 1 July 2027, expect:

- valuation disputes;
- retrospective valuation work;
- greater evidentiary requirements; and
- liquidators seeking detailed historical records.

The proposed market-value reset means the valuation at the transition date becomes critical.

5. Practical implications for an insolvency practitioner

The following might be relevant questions for a MVL appointment if the first and final liquidator's distribution is likely to occur after 1 July 2027.

1. Does the company own any pre-20 September 1985 assets?
2. Have any pre-CGT assets already been sold?
3. Is there a pre-CGT capital reserve in the accounts?
4. Can the reserve be traced to exempt gains?
5. Are there unrealised gains that may be affected by the 1 July 2027 transition?
6. Is there a desire to complete the MVL before the proposed commencement date?
7. Has tax advice been obtained on reserve characterisation?

Practitioners will also need to consider the tax status of shareholders and the post 1 July 2027 cost base regardless of the date of acquisition of the shares.

7. Preliminary conclusion

There is a strong incentive for shareholders of long-standing private companies to review whether pre-CGT assets should be realised and enter MVL before the new regime commences.

From an insolvency practitioner's perspective, there is likely to be a noticeable increase in MVL instructions during the 12-months leading up to 30 June 2027.

The contents of this booklet is not a substitute for advice specific to your circumstances. We do not provide tax advice. We have engaged tax lawyers at our cost to assist us to prepare the narrative on pages 5-7.

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9. Support from Levi Consulting

As always, we remain available for discussion virtually or face-to-face. Reach out to David Levi at +61 418 602 466 for a confidential conversation about your unique circumstances.

	Option	When is it suitable?
1	Informal Workout	Whenever informal solutions with creditors are feasible.
2	Members' Voluntary Liquidation, alternatively, corporate simplification	Solvent deregistration of a company that had trading activity.
3	Voluntary Deregistration	Solvent deregistration of a company with no or limited trading activity (e.g. a holding company or dormant company).
4	Voluntary Administration	Key mechanism for businesses in financial distress to explore restructuring or sale options while under the protection of a moratorium.
5	Safe Harbour	A support tool for enabling directors of a distressed company to continue to trade while working on an informal workout or planning for a formal solvency.
6	Deed of Company Arrangement (DOCA) following Voluntary Administration	A flexible, formal insolvency restructuring tool. It follows a Voluntary Administration. Widely suitable for restructuring debts.
7	Creditors' Scheme of Arrangement	Another flexible formal insolvency restructuring tool - more cumbersome to implement than a DOCA, but with the advantage of being able to bind secured creditors. Ideally suited to financial restructuring of large/complex debt stacks.
8	Small Business Restructuring Plan	For small and micro businesses (less than $1,000,000 in total debts) - a quick and straightforward alternative to a DOCA.
9	Creditors' Voluntary Liquidation	Best suited to a terminal liquidation of a failed/insolvent company - where an attempt at restructuring through administration and DOCA would be unlikely to work.
10	Court Liquidation	Effective in instances of shareholder/management failure (e.g. in a failed or dysfunctional joint venture). Also commonly used by creditors to attempt to force an involuntary liquidation on a debtor company that has failed to pay its debts.
11	Receivership	A receiver is appointed by the court or alternatively by a secured creditor to take control of all or part of the assets and business of a company or partnership. Court-appointed receivers are common for partnership disputes.
12	Section 66G	When co-owners are in a dispute over jointly owned property the court can appoint trustees using s 66G of the *Conveyancing Act 1919* (NSW) to sell the property and distribute the proceeds.

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