

## Guide Dealing with surplus subsidiaries at the end of their useful life

(aka use of members' voluntary liquidation)

In today's complex business environment, efficient and transparent corporate structures are imperative. Directors and board members are recognising the value of corporate simplification, or put simply, decluttering business structures. We explore crucial aspects of corporate simplification and pathways to optimise the process for organisations of any size.

### The benefits of simplification

Organisations may seek corporate simplification for various reasons. They may be corporates streamlining group structures, family-owned businesses decluttering or succession planning, or those simply eliminating inactive companies to reduce compliance costs. Corporate simplification can provide a tax-effective method to distribute reserves, benefitting both large corporate groups and smaller "mum and dad" operations.



#### Optimised business structure and governance

By streamlining corporate structures, organisations can better align operations and legal structures, ensuring oversight of corporate governance requirements and improved compliance.



#### Enhanced financial management

Corporate simplification aligns assets and liabilities with respective businesses, reduces intercompany issues related to taxes, and unlocks previously inaccessible tax value. This results in improved financial operations and management.



#### Increased operational efficiency

Eliminating duplicate entities, simplifying transactions, and ensuring up-to-date statutory registers contribute to greater operational efficiency, allowing organisations to focus on strategic growth initiatives.



#### Reduced admin and financial costs

A streamlined corporate structure can reduce the administrative burden, regulatory capital requirements, and the number of bank facilities, freeing up resources for investment in development and expansion.

#### Historical challenges

In the past, simplification efforts faced obstacles, such as tax consequences, stamp duty, and operational issues.

#### Current opportunities

Regulatory advancements, such as stamp duty exemptions for corporate reorganisations and liquidations, make aligning legal and operational structures more accessible and cost-effective.

## The corporate simplification process

### Step 1: Pre-liquidation review

- Assessing the current corporate structure
- Identifying dormant or non-trading entities
- Evaluating tax and regulatory implications

Before embarking on the corporate simplification journey, conducting a comprehensive pre-liquidation review is essential. This process involves assessing the current corporate structure, identifying dormant or non-trading entities, and evaluating tax and regulatory implications. This ensures the process is tailored to meet each organisation's unique needs.

### Step 2: Issue resolution

- Addressing tax, stamp duty, and operational challenges
- Aligning legal and operational structures
- Implementing cost-effective solutions

Addressing tax, stamp duty, and operational challenges is a crucial aspect of corporate simplification. Organisations can successfully overcome these challenges by aligning legal and operational structures and implementing cost-effective solutions.

### Step 3: Formal liquidation process

- Eliminating inactive companies in a tax-efficient manner
- Ensuring compliance with relevant regulations

The final step in corporate simplification is the formal liquidation process, which involves eliminating inactive companies tax-efficiently and ensuring compliance with relevant regulations. The members' voluntary liquidation (MVL) process is particularly advantageous for solvent companies, as it allows for a tax-effective distribution of capital and revenue reserves.

## Simplification in action

<b>Background</b>	Over three decades, a group had incorporated many companies without any strategy for simplifying or eliminating redundant entities. This increased compliance costs, with internal and external accountants performing annual compliance work.
<b>Objective</b>	An external accountant was tasked with reviewing the entire group to plan for succession, reduce entity numbers, and create a tax-effective, simplified structure.
<b>Approach</b>	The external accountant devised a strategy to dispose of groups or batches of companies through members' voluntary liquidations tax-efficiently.
<b>Solution</b>	Levi Consulting executed a four-stage approach: <ul style="list-style-type: none"> <li>• <b>Review:</b> Examined the proposed corporate structure, gathered information, and identified issues.</li> <li>• <b>Issue Identification:</b> Anticipated issues during liquidation to ensure statutory and operational compliance.</li> <li>• <b>Planning &amp; Development:</b> Addressed tax, operational, and statutory issues foreseeable during the liquidation period.</li> <li>• <b>Implementation:</b> Executed the strategy and liquidation, typically completing the process within three months of commencement.</li> </ul>
<b>Outcome</b>	Upon the conclusion of the liquidation, ASIC automatically deregistered the company, successfully streamlining the group's corporate structure.

## In summary

Embracing corporate simplification can unlock your business's full potential by reducing costs and regulatory burdens, increasing transparency, and fostering efficiency.

## Support from Levi Consulting

Levi is an authority on corporate simplification, specialising in members' voluntary winding-ups. In addition, the expertise held by Levi as a registered liquidator adds substantial value and risk mitigation. Possessing extensive expertise, Levi employs open questions and comprehensive checklists to proactively identify potential issues that could lead to disruptions, subsequently addressing them in advance.

Through comprehensive support, Levi guides clients through pre-liquidation reviews, issue resolution, and the formal liquidation process, offering risk mitigation and expert advice to ensure a smooth and successful simplification journey. Levi's team of skilled professionals assure clients of a seamless three-month process from the commencement to the completion of the liquidation, exemplifying their commitment to efficiency and subject matter expertise.

### Consultation at no cost

Company directors and advisers are welcome to call David Levi for an initial consultation that will not incur a fee on **0418 602 466**. Training for advisers in relation to these and other topics can also be arranged via videoconference. Levi Consulting services all Australian States and Territories.