



MEMBER'S VOLUNTARY WINDING UP

A members' voluntary winding up is the process for a solvent company when its members no longer wish to retain the company's structure because the company has reached the end of its useful life. A members' voluntary winding up is the only way to fully wind up the affairs of a solvent company. All outstanding creditors are paid in full, and any surplus assets are distributed to its members. A members' voluntary winding up also protects the members' interests while the company structure is dismantled.



How Is the Member's Voluntary Winding Up Process Started?

The directors resolve to call a meeting of members to wind up the company. Directors must complete a 'Declaration of Solvency' that states the company is solvent and can pay all its debts within 12 months. The declaration is lodged with the Australian Securities and Investments Commission (ASIC) before the members' meeting. The solvent company is then wound up on the resolution of its members at the meeting.



What Is the Effect on the Company?

The company structure itself survives the appointment of a liquidator. The control of all assets, conducting any business, and financial affairs are transferred to the liquidator. The directors cease to have any authority. All bank accounts are frozen, any employment can be terminated, and the liquidator may engage necessary labour. At the end of the liquidation, the liquidator applies to ASIC to deregister the company, after which the company ceases to exist.



How Long Does the Member's Voluntary Liquidation Process Last?


The members' voluntary liquidation lasts for as long as necessary. Selling assets and paying creditors usually happens within the first few months. Completing the company's financial statements and final tax returns could potentially delay the distribution to members, particularly if there is a dispute between members. Clearance from the Australian Taxation Office (ATO) is essential before a member's voluntary liquidation can be finalised.



How Does the Process End?

The members' voluntary liquidation process ends when the liquidator calls a final meeting of the company's members. The meeting will only be called after all creditors' claims are satisfied, all other issues are resolved, and any surplus is distributed to the members. This meeting is a statutory process and attendance by members is optional. The company is automatically deregistered by ASIC three months after the final meeting is held.

Should you have any questions or require further information on this subject please don't hesitate to get in touch.

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