

Reduction of Share Capital for private limited companies- A new procedure

New provisions dealing with the procedure for reduction of issued share capital for private limited companies were brought into force on 1 October 2008.

The new procedure facilitates a reduction of capital by way of special resolution of the members accompanied by a statement from the directors confirming the company's ability to meet its debts after the reduction.

So why might a company want to reduce its issued share capital?

A company may want to use this procedure in order to:-

- eliminate a deficit on its profit and loss account;
- create distributable reserves which can be used for corporate purposes or to use as payment of dividends;
- repay capital which is in excess of the company's needs to its members; or
- relieve members of their liability to pay up any unpaid amounts on shares if it is unlikely that the company will need those funds in the future.

We can assist companies that wish to use the new procedure for a standard fee. If you would like any further information please contact Kerry Sturman or Paul Bury.