

Voluntary Liquidation in Cyprus

By *S. Constantinou & Associates LLC*



Voluntary liquidation is a widely used method in Cyprus for closing a company following a resolution by its members or creditors. The Cyprus Companies Law, CAP 113 (the “Law”), outlines specific circumstances and requirements for initiating a voluntary liquidation.

Circumstances for Voluntary Liquidation

A company may be voluntarily wound up under the following circumstances:

1. Expiration of a Fixed Period or Specific Event:

- If the company’s articles of association specify a fixed period for its duration or an event necessitating its dissolution, a resolution passed in a general meeting can initiate voluntary liquidation.

2. Special Resolution:

- Members may vote by special resolution to voluntarily wind up the company.

3. Extraordinary Resolution:

- If the company determines by extraordinary resolution that it is unable to meet its obligations and cannot continue operations, voluntary liquidation is advisable.

The voluntary winding-up process begins on the date the resolution is approved. A declaration is typically filed with the insolvency department, confirming the company’s ability to pay its debts within a specific period, usually 12 months.

Key Requirements for Voluntary Liquidation

- **Timeline:** The liquidation process typically takes 9-12 months but may take longer for complex cases.
- **Good Standing:** The company must be in good standing before initiating the voluntary liquidation process.
- **Tax Clearance:** Obtaining tax clearance is essential to proceed with the liquidation.
- **Appointment of a Liquidator:** A licensed insolvency liquidator is appointed by the members or creditors.

Role of the Liquidator

The liquidator is responsible for:

- Managing the liquidation of the company’s affairs.
- Settling debts and liabilities.
- Distributing the company’s assets to creditors and, if possible, to shareholders
- Handling all other matters related to the company’s dissolution.

In cases of supervised liquidation, the court may appoint an additional liquidator to oversee the process.

Liquidation Process

1. Asset Sale and Debt Settlement:

- The liquidator sells the company's assets and uses the proceeds to settle outstanding debts.

2. Final Meeting:

- After resolving all affairs, a final meeting is held where the liquidator presents an account of the liquidation process.

3. Official Dissolution:

- Following the final meeting, the company is officially dissolved, and its name is removed from the Registrar of Companies within three months.

Consequences of Voluntary liquidation

Once the voluntary liquidation process begins:

1. The company can only perform activities necessary for its smooth operation.
2. Any Changes in a company membership or share sales without the liquidator's approval become invalid.

HOW SCLAW CAN HELP

- 📄 **Expert Guidance:** We provide professional advice and guidance on the voluntary liquidation process, ensuring compliance with the relevant legal and regulatory requirements.
- 📄 **Licensed Liquidators:** Our team includes licensed insolvency practitioners who can act as liquidators and manage the entire process efficiently.
- 📄 **Document Preparation:** Drafting and filing all necessary resolutions, declarations, and reports required during the liquidation process.
- 📄 **Debt Settlement & Asset Distribution:** Facilitating the settlement of debts and the distribution of assets in line with the company's obligations.

If any assistance or further clarifications are needed for this matter, please do not hesitate to contact our office.

For further information or clarifications, please contact S. Constantinou & Associates LLC at info@sclaw.com.cy / +357 22 421190

