How to close a business properly

Q: I started a Web business with three friends while we were students in university. Now that all of us have graduated and are building our careers, we find it a challenge to maintain it and would like to fold it up. What are the processes of closing a business properly?

A: The process of closing a business depends on the type of business organisation which is used to conduct the business. This answer focuses on proper closure from a regulatory compliance perspective.

If the business is conducted by a partnership without incorporation of a company, the closure process is relatively simple. Assuming that the business was and is still properly registered with the Accounting and Corporate Regulatory Authority (ACRA), the partnership may notify ACRA that it has ceased business by filing either a Notice of Termination or Notice of Cessation. The former is used if the closure of business is before the expiry date of registration of the business and the fee payable is $20. The latter is used if the closure of business is on the expiry date of registration and no fee is payable.

If, however, a company was incorporated to conduct the business, the closure process is more complicated. It also varies according to whether the company has ceased trading or is still active.

Where the company has ceased trading, it may apply to ACRA to be struck off under section 344 of the Companies Act, Cap 50 provided it satisfies the criteria for striking off. Some factors included in the criteria are that the company must not have any current/contingent assets and liabilities, and must not have any outstanding tax liabilities. It should also be noted that any interested person may object to the striking off and if so, the company must resolve the matter with that person before it can be struck off.

Where the company is still active or does not satisfy the striking off criteria, it has to undergo a winding up process. This process involves many steps such as passing a resolution to wind up the company; appointing a liquidator to close the business, sell off assets, pay off creditors, distribute balance of assets to members, as well as holding meetings and filing documents with ACRA.

As the winding-up process is formally prescribed by law, it would be advisable to engage professionals to undertake it in order to ensure compliance with the law.

– Julie Huan, senior lecturer, Department of Strategy and Policy, NUS Business School

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