

Doing Business in Italy

How to close a company in Italy – a practical guide

by Irene Grassi

Italian limited company (*società a responsabilità limitata -SRL*) is the most common type of company in Italy, and the usual form chosen by local subsidiaries of international groups.

Should the mother company unfortunately decide to restructure their business and close the Italian entity, the management should be aware of the process which is required – and carefully consider all the risks.

Our focus here will be on voluntary dissolution (*Liquidazione volontaria*), i.e. liquidation decided by the shareholders and not involving an insolvency of the company.

Although dissolution may result from a choice of the mother company for whatever business reasons, in some cases shareholders are obliged by law to dissolve the company (e.g. in case losses bring the share capital below the legal minimum).

The first step to take is a formal decision of the shareholders of the company (*Assemblea dei soci*) to dissolve the company and appoint a Liquidator (*Liquidatore*). An extraordinary meeting of the SRL shall take place with the involvement of a Notary, who will certify the minutes of the meeting and register the decision in the Commercial Register (*Registro delle Imprese*).

Liquidators are chosen by the shareholders and will manage and represent the company during dissolution, having the same liabilities as Directors (who will cease their office once Liquidators are appointed). The choice of Liquidators is therefore crucial and should be carefully made.

Voluntary dissolution does not imply an involvement of courts or other public authorities in the management of the company and has no impact on contracts and obligations, which remain in force. During this phase, a strict coordination of the local management with the mother company is extremely important, in order to ensure that the implementation of the decisions of the group is effective and compliant with local rules and regulations.

The main issues that the Liquidators will have to face concern the termination of labour contracts (which is extremely sensitive and must be carefully planned), the termination of long term obligations, the sale of the company assets. The SRL will have in any case to keep an address in Italy until it is deleted from the Commercial Register.

It is crucial that all obligations are fulfilled and all debts are paid, in order to avoid risks of insolvency claims from employees or other unsatisfied creditors.

Once that all pending issues are solved, the Liquidator will draft the final dissolution accounts, which will have to be approved by the shareholders.

After filing the final accounts in the Commercial Register, the Liquidator can apply for deletion of the company from the Commercial Register. Only at that time the SRL will cease to exist.