

# A GUIDE TO THE NEW COMPANIES ACT 2014

THE NEW COMPANIES ACT 2014 CAME INTO EFFECT ON 1 JUNE 2015.

It is the largest piece of legislation seen in Ireland. It consolidates and reforms Irish Company Law. Every company director and shareholder will be affected by the new Act and will have important decisions to make.



## COMPANIES ACT 2014 FACTS

- 01** COMPANIES ACT 2014 CAME INTO LAW ON 23 DECEMBER 2014
- 02** IT CAME INTO EFFECT ON 1 JUNE 2015
- 03** THE ACT COMPRISES 25 PARTS (OVER 1,440 SECTIONS) AND 17 SCHEDULES

## NEW TYPES OF COMPANIES

THE NEW TYPES OF ENTITIES UNDER THE COMPANIES ACT 2014 ARE AS FOLLOWS

PRIVATE COMPANY LIMITED BY SHARES (LTD)

DESIGNATED ACTIVITY COMPANY (DAC)

PUBLIC LIMITED COMPANY (PLC)

COMPANY LIMITED BY GUARANTEE (CLG)

UNLIMITED COMPANY (ULC)



## KEY FEATURES OF MOST COMMON COMPANY TYPES

### PRIVATE COMPANY LIMITED BY SHARES (LTD)

- Company name must end in "Limited" or the Irish equivalent "Teoranta".
- No main objects clause, i.e. full unlimited capacity to carry on any legal business (rule of Ultra Vires is gone).
- Has a one document constitution replacing existing Memorandum and Articles of Association document.
- Limited Liability.
- Can have a single director but must have a different company secretary (can be individual or body corporate).
- Can have between 1 and 149 members.
- Does not need to hold an Annual General Meeting (AGM).
- Can claim audit exemption and dormant company audit exemption.
- Can pass majority written resolutions.
- Does not need to have an authorised share capital.

### DESIGNATED ACTIVITY COMPANY (DAC)

- Company name must end in "Designated Activity Company" or the Irish equivalent "Cuideachta Ghíomhaíochta Ainmnithe".
- Must have objects clause.
- Has a 2 page constitution document very similar to old Memorandum and Articles of Association document.
- Limited Liability.
- Have a minimum of two directors.
- Can have between 1 and 149 members.
- Must hold an AGM, unless it is a single member company.
- Can claim audit exemption and dormant company audit exemption.
- Can pass majority written resolutions.
- Must have an authorised share capital.
- Can be Limited by Shares or Guarantee.



## CHOOSING ENTITY TYPE

The Act provides for an 18 month transition period after the Act commences during which existing private limited companies will need to decide on which of the new entity types they wish to become.

### 01

#### OPT-IN

BY OPTING IN, YOU WILL BECOME A NEW PRIVATE COMPANY LIMITED BY SHARES (LTD).

(RECOMMENDED)

### 02

#### OPT-OUT

YOU CAN CHOOSE TO OPT-OUT AND BECOME A DESIGNATED ACTIVITY COMPANY (DAC).

### 03

#### DO NOTHING

IF YOU CHOOSE TO DO NOTHING, YOU WILL BE DEEMED A DESIGNATED ACTIVITY COMPANY (DAC) FOR THE TRANSITION PERIOD AND A PRIVATE COMPANY LIMITED BY SHARES (LTD) THEREAFTER.

IT IS RECOMMENDED THAT DIRECTORS/SHAREHOLDERS CHOOSE A COMPANY TYPE BEST SUITED FOR THEIR BUSINESS.



TO HELP YOU MAKE THAT DECISION, HERE ARE 5 KEY QUESTIONS TO CONSIDER:

- HAS THE COMPANY BEEN INCORPORATED FOR A SPECIFIC PURPOSE AND REQUIRES ITS OBJECTS?  
*IF YES, CHOOSE A DAC*
- IS THE COMPANY A JOINT VENTURE COMPANY WITH SPECIFIC OBJECTS?  
*IF YES, CHOOSE A DAC*
- DOES THE COMPANY HAVE SPECIFIC CHARITABLE OBJECTS AND IS A PRIVATE COMPANY LIMITED BY SHARES?  
*IF YES, CHOOSE A DAC*
- DOES THE COMPANY HAVE DEBT SECURITIES LISTED?  
*IF YES, CHOOSE A DAC*
- IS THE COMPANY (A) A CREDIT INSTITUTION OR (B) AN INSURANCE UNDERTAKING COMPANY, AND A PRIVATE COMPANY LIMITED BY SHARES?  
*IF YES, A DAC IS THE ONLY OPTION AVAILABLE*



## KEY DATES

- ENACTMENT: 23 DECEMBER 2014.
- COMMENCEMENT: 1 JUNE, 2015.
- TRANSITION PERIOD: THIS WILL RUN FOR AN 18 MONTH PERIOD FROM THE COMMENCEMENT DATE.
- 15 MONTHS AFTER COMMENCEMENT: FINAL DATE FOR THOSE COMPANIES WISHING TO BECOME A DAC UNDER THE CONVERSION PROCESS.
- 18 MONTHS AFTER COMMENCEMENT: END OF TRANSITION PERIOD. THERE IS AN OPTION TO EXTEND IF REQUIRED.



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