

Liquidation Procedures and the related Tax Returns

When in liquidation of a company, the following procedures are required in accordance with the Commercial Code and Tax Laws:

Actions	Preparatory Procedures	Authorities Concerned	Time
1. Resolution of dissolution at members meeting and election of liquidators	<ul style="list-style-type: none"> - Minutes of members meeting - Notice of members meeting 		(D)
2. Notice of dissolution to members	<ul style="list-style-type: none"> - Form notice to members 		Without delay after resolution of dissolution (D+1)
3. Registration of dissolution	<ul style="list-style-type: none"> - Appending the Minutes of Members Meeting - Filing by Representative Liquidator 	Court	Within 2 weeks from resolution of dissolution (D+3)
4. Report of cessation of business and return of business registration certificate	<ul style="list-style-type: none"> - Written report of cessation of business 	Tax Office	Without delay after cessation of business (D+3)
5. Registration of liquidators	<ul style="list-style-type: none"> - Notarized acceptance of appointment from liquidator(s) - Notarized power of attorney from liquidator(s) - Notarized report of the representative liquidator's seal impression 	Court	Within 2 weeks of resolution of dissolution
6. Report of dissolution to the court	<ul style="list-style-type: none"> - Report documentation - Information on dissolution, including liquidators 	Court	Within 2 weeks from liquidators' inauguration into office (D+17)
7. Investigation of company's property and report thereof to the court	<ul style="list-style-type: none"> - Prepare an inventory list and a balance sheet of the company - Obtain approval thereon at Members' Meeting - Submission of an inventory list and a balance sheet of the company to the court 	Court	Without delay after liquidators' inauguration into office (D+17)
8. Public notice to creditors	<ul style="list-style-type: none"> - Newspaper publication of the liquidation information, requesting creditors to present their claims at least two times 		Claim presenting period should be more than 2 months (D+20)
9. Individual notice to known creditors	<ul style="list-style-type: none"> - Serve individual notice, requesting creditors to present their claims 		During the claim presenting period
10. Value added tax return and payment thereof	<ul style="list-style-type: none"> - VAT return filing and tax payment for the period from beginning date of the final VAT period to the date of business disclosure 	Tax office	Within 25 days of cessation (D+10-20)
11. Corporate tax return and payment thereof	<ul style="list-style-type: none"> - Corporate tax return filing and tax payment for the period from beginning of fiscal year to the date of dissolution 	Tax office	Within three months of the court registration of dissolution (D+45-65)

12. Winding up of pending affairs	<ul style="list-style-type: none"> - Dispose of assets - Terminate continuous contractual relationship - File the report of closing-down with the labor office - Serve 30 days' prior notice of dismissal to individual employees - Dismiss (or transfer) employees - Pay off unpaid salary including severance payments 	Regional labor office	Within 7 days after cessation of business (D+7)
13. Performing obligations	<ul style="list-style-type: none"> - Pay off debts after expiration of the public notice period 		(D+82)
14. Corporate tax return as well as liquidation income tax return and payment thereof	<ul style="list-style-type: none"> - Corporate tax return filing and tax payment for the period from the date of dissolution to the date determination of remaining assets and liquidation income tax return filing 	Tax office	Within three months of the date the value of the remaining assets is finally determined (D+85)
15. Approval of completion of liquidation at members meeting	<ul style="list-style-type: none"> - Prepare the financial statements upon liquidation 		At the time of completion of liquidation (D+88-90)
16. Registration of completion of liquidation	<ul style="list-style-type: none"> - Minutes of members' meeting, approving the liquidation accounts 	Court	Within 2 weeks from approval of completion of liquidation at members meeting (D+89)
17. Cancellation of FIE Registration	<ul style="list-style-type: none"> - File application to deregister the FIE registration 	Local foreign exchange bank	(D+92)
18. Remittance of liquidation proceeds	<ul style="list-style-type: none"> - Obtain authorization for remittance of liquidation proceeds to foreign member(s) 	Local foreign exchange bank	(D+95)
19. Report of liquidation completion	<ul style="list-style-type: none"> - Company registry 	Court	Report of completion of liquidation with the court after court registration. (D+95)
20. Application of custodian and method of preservation of documents	<ul style="list-style-type: none"> - Acceptance letter of custodian - List of important documents 	Court	Important documents must be preserved for 10 years and slips and similar papers must be preserved for 5 years. (D+95)

* Assumed a limited liability company is liquidated.

The important procedures for filing the related tax returns are explained below:

1. A corporate tax and its related local tax of a corporation in liquidation

1.1 Filing and paying a corporate tax for the deemed fiscal year

For the liquidation of a corporation, a registration of dissolution should precede, and thereafter, as the residual assets are determined, the closing registration shall be executed. According to the Article 8 of the Corporate Tax Law, in the event that a liquidation procedure commences, the following fiscal year shall be deemed.

- Each of the period from the commencement of the fiscal year to the dissolution registration date and the period from the dissolution registration date to the end of the fiscal year shall be deemed as one fiscal year.
- If the residual assets are determined before the end of the fiscal year, the period from the dissolution registration date to the determination date of residual assets shall be deemed as one fiscal year.
- If the residual assets are determined in the following fiscal year of the fiscal year when the dissolution registration is executed, the period from the beginning date of the following fiscal year to the determination date of the residual assets is deemed as one fiscal year.

Accordingly, as for the deemed fiscal year pursuant to the Article 8 of the Corporate Tax law, the corporate tax for the income of the respective fiscal year should be filed and paid within 3 months from the end of the deemed fiscal year, and the local tax pertaining to the corporate tax should be filed and paid within 4 months from the end of the fiscal year.

1.2 A determined filing and payment of a corporate tax for the liquidation income.

If the value of the residual assets is determined, the corporate tax for the liquidation income should be filed and paid within 3 months from the date the value of the residual asset is determined and the applicable local tax should be filed and paid within 4 months from the date the value of the residual asset is determined.

1.3 An interim filing of the corporate tax for the liquidation income.

In the event of the following situations, the interim corporate tax should be prepaid for the liquidation income within 1 month from the date the situation occurred.

- In the event that some portion of the residual assets are distributed to the stockholders before the value of the residual assets arising from dissolution is determined, then the date it is distributed
- In the event the value of residual assets is not determined within one year from the date the dissolution is registered, then the date it reaches one year from the date the dissolution is registered.

1.4 Tax withholding pertinent to the deemed dividend paid to the individual stockholders.

In the event the corporation is liquidated, if the dividends of the residual assets the stockholders of the liquidating corporation is going to receive is greater than the value spent for the acquisition of the liquidated corporation stocks when compared in the process of the liquidation, this shall be deemed as distribution.

Accordingly, the distribution of the residual assets are made to the individual stockholders, and because of this, in the event that it is assumed that there occurred deemed dividends to the individual shareholders, the liquidating corporation should withhold the pertinent income tax and remit to the local tax office by the 10th of the next month.