



# THE NEW COMPANIES ACT 2014



## INTRODUCTION

The new Companies Act 2014 has now come into effect. The Act, which has been a long time in the making, consolidates the existing 17 Companies Acts which date from 1963 to 2013 and introduces a number of reforms, all of which are designed to make it easier to operate a business in Ireland.

The Act is expected to provide significant benefits to companies, in particular smaller firms, by reducing red tape and making legal obligations easier to understand. Given this, the business community's reaction to it has been overwhelmingly positive.

### 1. COMPANIES LIMITED BY SHARES (LTD)

The following are some of the main changes to Limited companies, most notably that the number of directors for a limited company has been reduced from two directors to one.

#### *Features of the LTD company include:*

- May have just 1 director (s 129)
- Can have between 1 and 149 shareholders (s17)
- Must have a company secretary (s 130)
- May dispense with holding AGM (s 176)
- Loans to or from directors and connected persons must be in writing or not deemed to be a loan
- Audit Exemption for Group Companies
- Introduction of Director Compliance Statements

### 2. DESIGNATED ACTIVITY COMPANIES (DAC)

A Designated Activity Company (DAC) is a **private company limited by shares** or a **private company limited by guarantee** and having a share capital with the capacity, including the power, to do only those acts or things set out in its constitution.

Certain companies are specifically envisaged as being DACs. Examples include

- Charities
- Management companies
- Companies limited by guarantee and companies which are incorporated for a specific purpose for which the shareholders wish the capacity of the company to be clearly defined.

Certain companies are obliged to convert to a DAC - an existing private limited company that has published an offering document or obtained an admission to trading on a regulated market for its debentures.

**Features of the DAC include:**

- Designated Activity Companies have a memorandum in their constitutions which state the objects for which the company is incorporated.
- It has a constitution document which includes a memorandum and articles of association.
- It has limited liability and has a share capital or is a private company limited by guarantee
- It must have at least two directors. All directors must be over eighteen.
- It can pass majority written resolutions but cannot dispense with the need to hold an AGM.
- The name of the company must end in "Designated Activity Company" or "Cuideachta Ghníomhaíochta Ainmnithe" unless exempted
- It can claim eligibility for audit exemption and dormant company audit exemption.

**The main difference between an LTD company and a DAC company are as follows:**

COMPANY LIMITED BY SHARES ("LIMITED")	DESIGNATED ACTIVITY COMPANY ("DAC")
Must end in the suffix Limited or LTD	Must end in the suffix Designated Activity Company or DAC
Minimum of 1 director	Minimum of 2 directors
1 – 149 shareholders	1 – 149 shareholders
No objects clause – full and unlimited capacity	Capacity limited to the objects clause in the Memorandum
Company Secretary cannot be the sole director	Secretary may be one of the directors
May dispense with holding the AGM	Cannot dispense with holding the AGM
No requirement for an authorised share capital	Must have an authorised share capital
Cannot list debts or securities	Can list debts & securities

**Private companies (limited by shares),** incorporated under the old Companies Acts, **can convert under the new Act to a DAC limited by shares.** Unless during the transition period, (18 months from commencement on 1st June 2015), they undertake the conversion process to become a DAC, they will be deemed instead to become a LTD company, private company limited by shares under Part 2 of the Act. Any existing private company (limited by shares) (EPC) which has not completed the conversion process to a DAC will be deemed to be a LTD company instead.

If you would like to receive more information,  
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