



OPINION OF THE RUSSIAN SUPREME COURT:

## Subsidiary liability of an “abandoned” entity shall still be borne by its owners

The Supreme Court of Russia has once again outlined the actual risks that may arise when business owners neglect the official liquidation procedure.

### Case summary:

A company was brought to subsidiary liability in a bankruptcy case, however it did not discharge its debt since due to the inaccurate information the company was removed from the Unified State Register of Legal Entities. The liquidation manager appealed to court and demanded that the company’s sole member be held liable.

### Opinions of the three lower courts:

The owner did not take any steps to discharge the entity’s debt to creditors, on the contrary, his inaction facilitated the company’s removal from the Unified State Register of Legal Entities. The Judicial Body noted that it was not acceptable to impose adverse consequences on creditors for failing to prevent the debtor’s removal from the Register. There are no respective grounds for exemption from liability or reduction of its amount according to the law.

### Opinion of the Russian Supreme Court:

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### What makes it important and how to avoid adverse consequences

In case of compulsory removal of an entity from the Unified State Register of Legal Entities by the tax authorities, managers and founders of such legal entity will not be able to register a new business for 3 years from the date of the relevant entry in the Unified State Register of Legal Entities (Article 23, clause, subclause f of Federal Law No. 129-FZ dated 8 August 2001).

This also involves risks of subsidiary debt recovery from the founders in case of insufficient funds on the company’s account to discharge the debt.

Of course, reorganisation or voluntary liquidation can be time-consuming and costly.

However only the official liquidation procedure allows the owner to avoid reputational risks and further material expenses. To ensure successful liquidation, it is advisable to outsource the relevant services to legal advisers.

*<sup>1</sup> Ruling of the Supreme Court of the Russian Federation N 305-ES23-29091 dated 26 April 2024*

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