

This Members' Voluntary Liquidation (MVL) key information list will highlight the benefits of the formal "solvent company" liquidation process for a company director (who is also a shareholder of their company), to enable the right decision to be made about whether a Members' Voluntary Liquidation is right for their company.

There are 10 key points below that will discuss areas where company directors can understand the benefit of entering a formal solvent liquidation process rather than opting for an informal route such as a strike-off.

Common situations to use a solvent liquidation (MVL)

Some may think that a Members' Voluntary Liquidation is not for them but we have compiled a list of common circumstances where this process is suitable:

- Personal company with cash reserves to extract
- Shareholders considering retirement
- Shareholders considering a sale of part or whole of a business
- Restructuring of a company into different parts
- Closure of a solvent company that no longer has a purpose

Helpful liquidator

An MVL is a formal process governed by the Insolvency Act. A Licensed Insolvency Practitioner must be appointed as the liquidator of a company entering into an MVL. Our Insolvency Practitioners are very experienced in delivering this solution in a cost effective and timely fashion and are supported by a highly trained and considerate team. This will provide an informed and confident journey from first contact to the point where the liquidator's file for dissolution of the company is filed at Companies House after the end of the liquidation.

Let us take care of the paperwork

The appointed liquidator will prepare all relevant paperwork and arrange all necessary meetings. This takes away the burden from the shareholders in having to do all this themselves to ensure things are wrapped up efficiently.

The liquidator will also liaise with the company's accountant to ensure that all tax affairs are in hand and prepared within key deadlines.

Tax Advantages

The tax advantages for this formal liquidation are often seen as the main benefit for entering the process. Since March 2012 the legislation that capped the former ESC-C16 benefit to £25,000 has helped the Members' Voluntary Liquidation increase in popularity. This process enables funds over £25,000 to receive the same capital tax benefits that the ESC-C16 did before the legislation. It will therefore class shareholder distributions as capital rather than income which lower the tax applied to the funds. This tax saving usually outweighs the fee for the process.

We are not tax advisors but will work with your tax advisor/accountant to make sure that you are taking advantage of all reliefs available to you.

Entrepreneurs Relief

This is a personal benefit for individuals who are shareholders of a company to claim from HMRC in order to receive a low 10% tax amount when extracting their funds from a solvent company. This personal relief has a current life time limit of £10million. Such a claim is usually made in association with the shareholders tax advisor/accountant.

Increase in MVLs

The introduction of the Extra-Statutory Concessions Order 2012 meant that many solvent companies with reserves above £25,000 are looking towards the MVL process to receive tax benefits previously available through the HMRC tax concession ESC-C16. This meant in the first year since the legislation, the Members' Voluntary Liquidation has increased in use by 20% (figure from the Insolvency Service).

Quick access to shareholder funds

Immediate access to funds is a priority to shareholders who do not want to wait around for their distribution. One way this can be achieved is that prior to liquidation the shareholder funds are transferred into the liquidator's client account or the client account of another associated professional. This will mean that upon entering liquidation these funds can be distributed immediately as there is no waiting around for banks to approve the transfer of the funds.



A Directors Guide to a Members' Voluntary Liquidation

Providing Solutions



Final tax returns filed before liquidation

In order to help speed up the liquidation process, as shareholders you should be paying your company creditors off in full and filing your final returns to HMRC (your accountant will be helping with this). By doing these bits early on it will be beneficial further down the line when the liquidator requires permission from HMRC to proceed with dissolving the company at the end of the MVL process.

Dissolving efficiently

Following dissolution of a company from Companies House (also known as strike-off) it is possible for an application to be made to put a company back on the register at Companies House (known as restoration). The time limit for this, for a company yet to be struck-off is 6 years, except relating to a claim for personal injury. An application for restoration is more likely to occur during an informal dissolution rather than a formal one. This is because as part of the liquidation process it will keep the company on the register for longer than a simple strike-off. This means more notification adverts are placed in the legal press as part of their statutory duties.

Be savvy about fees

It's important that as a shareholder you have transparency on fees so that you can be clear that the tax benefits of an MVL will highly outweigh the costs of the process.

We offer fixed costs which include fees and disbursements. (Please see our separate costs sheet for the situations that attract our table of fixed costs.) If your situation is a little bit away from the norm we are more than happy to provide fixed costs price for your individual circumstances.

Beware of companies who highlight a low fee then add undefined disbursements for an MVL. Criteria for their pricing are often extremely limited and disbursements can vary depending on the company you go with and can sometimes end up more than the quoted fee. FA Simms & Partners fee is all inclusive of disbursements and is set in advance. This way everything is clear from the beginning.

Please Don't Forget

The information within this key facts guide is not designed as advice in light of your specific company circumstances and is not a substitute for advice from one of our Licensed Insolvency Practitioners.