

## Bretts Business Recovery - Members Voluntary Liquidation (MVL)

**A Members Voluntary Liquidation (MVL) is the winding up of a solvent company.**

A Members' Voluntary Liquidation is a shareholder-led process, and tax efficient way to close down a solvent company.

It's usually used by shareholders wishing to close their company and withdraw their capital.

All creditors of the company are paid in full and any remaining funds are distributed to shareholders.

**Reasons why the shareholders may wish to shut down a solvent company include:**

- 1) The company has ceased trading and the shareholders want to "unlock" the value of the business.
- 2) The retirement of directors/shareholders.
- 3) When directors/shareholders are in dispute and want to go their separate ways.

Groups of companies may also include dormant subsidiaries which are no longer required.

**To prove a company is solvent, a majority of directors must swear a *Declaration of Solvency*, incorporating a *Statement of Affairs*.**

- This says they've made a full enquiry into the company's financial affairs, and decided the company can pay all its debts in full plus interest within a 12-month period.
- The Declaration of Solvency includes a simple form of balance sheet for the company, as of the date it is placed into liquidation.
- **At Bretts we can help you prepare the Declaration of Solvency.**

Since 1 March 2012 HM Revenue & Customs Extra Statutory Concession C16 (ESC C16) introduced a cap of £25,000 on the amount payable on the dissolution of a Company, which can be treated as a distribution of capital rather than income.

**The main advantage of an MVL is that all distributions made to the shareholders in the liquidation are classed as distributions of capital, rather than income.**

- Capital distributions are subject to capital gains tax, rather than income tax, which is charged at a lower rate.
- The tax payable by the shareholder can therefore be further reduced even further by applying the various capital reliefs are available, including entrepreneurs relief.

**In a MVL, the shareholders control the appointment of the Liquidator, not the creditors who will be paid in full.**

- A meeting of the shareholders is held, where the company is placed into Liquidation and a Liquidator appointed.
- If, during the administration of the liquidation, the Liquidator decides there are insufficient assets to settle creditor's claims in full, then the MVL can be converted to a Creditor's Voluntary Liquidation ("CVL") i.e. an insolvent liquidation.
- Before concluding the liquidation, the Liquidator obtains the appropriate tax clearances from HM Revenue & Customs.

**To find out the reasons for non-performance, we'll carry out an assessment of the Company's trading.**

**We also provide practical solutions for the company's survival including advice on sales, productivity and ultimately an exit strategy.**

Please don't feel embarrassed or ashamed. We do understand. The good news is that by reading this far you've made the first step to getting rid of your problem.

The next step is to call us for a free, no-obligation discussion to see how we can help you...

## **For More Information, Please Contact BBR Today**

**Main switchboard:** +44 (0)808 168 7540

**Email enquiries:** [enquiries@brettsbr.co.uk](mailto:enquiries@brettsbr.co.uk)

**Main Facsimile:** + 44 (0)808 123 4567

Bretts Business Recovery, 141 Parrock Street , Gravesend, Kent DA12 1EY  
BBR House, Magpie Lane, Little Warley, Brentwood, Essex CM13 3DT  
Please call us on: 0808 168 7540 Or email us at: [enquiries@brettsbr.co.uk](mailto:enquiries@brettsbr.co.uk) [www.brettsbr.co.uk](http://www.brettsbr.co.uk)