a brief guide to

members' voluntary liquidations

Members' voluntary liquidations (MVLs) are for solvent companies that come to the end of their lives and need to be wound up. These are sometimes referred to as solvent liquidations and can be a tax efficient way to distribute reserves and capital to shareholders for companies with net assets of more than £25,000.

Shareholder distributions are taxed as capital receipts potentially at 10% rather than income which is potentially taxed at an effective (all taxes and national insurance) rate of £60% +. So MVLs are often driven by tax considerations.

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members voluntary liquidations

summary

There is another winding up process – which is for companies that are not insolvent at all – called a members' voluntary liquidation. This is also sometimes known as a solvent liquidation and is used when a company has come to the end of its life, creditors can be paid in full and there are funds to distribute to shareholders. This has to be conducted by an Insolvency Practitioner as there are provisions to convert it to a Creditors Voluntary Liquidation (CVL) if necessary.

advantages

- Saving tax.
- Shareholders stay in control.
- Brings finality and importantly can be used to stop creditors disturbing distributions to shareholders.

starting it

The process starts with the directors deciding that the company should be wound up and calling a meeting, or a decision by written resolution of shareholders. Creditors have no say in the process but the directors have to sign a declaration of solvency stating that creditors can be paid in full with statutory interest at 8% within 12 months. Your Insolvency Practitioner will guide you through the whole process.

what next?

The liquidator will realise the assets – usually by cash at bank – pay any creditors with interest and then, having given notice to creditors, distribute the remaining funds to shareholders. If you are prepared to give an indemnity funds can be distributed within days of the liquidation. As long as notice to creditors to submit a claim has been given and advertised in the London Gazette, distributions to shareholders cannot be disturbed if a late creditor pops up after all the funds have been paid out. So MVLs are a good way of drawing a line under a company's affairs and giving shareholders complete certainty.

how it ends

The liquidator issues a final report to shareholders with a notice and files a final receipts and payments account at Companies House. Three months later the company will be dissolved.

Download a more detailed guide to members voluntary liquidations

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here to help

At McTear Williams & Wood our aim is to help you deal with a difficult situation, remove some of the stress and worry and obtain the best possible outcome for you. But early contact is the key. The sooner you get in touch the more we will be able to do to help.

For an informal free of charge telephone call contact

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