



New Thinking. Leading.

Earlier this year, the team at Leading Corporate Recovery were introduced to an offshore oil and gas engineer who was looking for assistance to liquidate his company. The introduction came from the client's accountant, who had already identified that a Members Voluntary Liquidation (MVL) was a potential option.

The initial meeting with the client at the accountant's office confirmed that he was the sole owner of the company and that he was looking to close as a contract had been recently completed, meaning the company had served its purpose.

Following a full review of the financial position of the business, one of our Licensed Insolvency Practitioners was satisfied that the company was able to meet all of its liabilities and that after taking a salary of £10,000 and dividends of £30,000 that his accountant advised him to, there would be surplus funds left over of approximately £150,000.

It was proposed that a MVL would be the most suitable option as this would allow the client to take the remaining funds as a capital

distribution, rather than a dividend, which is much more advantageous from a tax perspective. The client also qualified for Entrepreneurs Relief on the capital gains obtained following from the business closure meaning he would pay a 10% tax rate instead of the higher 28% tax rate. In these circumstances, the client's personal tax liability on drawing the remaining £150,000 decreased from around £55,000 to around £15,000, a huge saving of £40,000.

Our bespoke MVL advice meant that the client could withdraw the majority of the cash prior to liquidation instead of it having to take time unnecessarily to go through a liquidator's client account.

The review had identified that a small amount of book debts remained outstanding and therefore we supported the client to collect these prior to our appointment as Liquidator. Once appointed, we liaised with the bank to obtain the small balance of funds not already paid to the client. As the final part of this process, we sought tax clearance from HMRC and the MVL closed within three months of our initial meeting.

MVL - Case Study

What is Members Voluntary Liquidation?

A Members Voluntary Liquidation is a legal process that allows shareholders to liquidate their company providing it is solvent. This means that the business must have enough funds to pay all of its liabilities.

There are many reasons why you might consider an MVL, such as:

-  Retirement
-  Company has achieved its purpose, e.g. a property development
-  Extracting surplus cash
-  New contract for IT specialists, offshore workers and other contract workers
-  Following a business and asset sale where you retained the company's shares
-  Potential to claim Entrepreneurs Relief

Aside from the fact that an MVL will unlock your cash quickly and efficiently, there are many other benefits:

-  MVLs provide a much more tax efficient way to withdraw cash from a company than salary or dividends
-  You may qualify for Entrepreneurs Relief, reducing your tax bill to just 10% of funds withdrawn
-  An MVL will provide a greater degree of finality against potential or contingent liabilities than a striking off gives
-  Company has achieved its purpose, e.g. a property development

