



Members Voluntary Liquidation

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What is an MVL

- ▶ Members Voluntary Liquidation
- ▶ Statutory procedure to bring a company to a close
- ▶ Section 84 -96 of the Insolvency Act
- ▶ Company must be solvent
- ▶ Carried out by Insolvency Practitioner

When to use an MVL

- ▶ Company has come to a natural end
- ▶ Purpose of company has been fulfilled
- ▶ Retirement
- ▶ Sale of the business
- ▶ Condition of a sale

Essentially you want to extract the value from the company, usually in the most tax efficient way. (Capital Distribution)

Initial Discussion

- ▶ Discussion with directors/members to establish their needs
- ▶ Is an MVL appropriate?
- ▶ Has the relevant Tax advice been sought?

The 3 Steps

- ▶ Meeting of Directors
- ▶ Declaration of Solvency
- ▶ Meeting of Members

All within 5 weeks but in practice within 30 minutes.

Meeting of Directors

- ▶ Meeting called within relevant timeframe
- ▶ Minute the reasons for the MVL
- ▶ Table and approve the Declaration of Solvency
- ▶ Resolve to wind the company up through an MVL and to appoint a Liquidator
- ▶ Summon a General Meeting of the Company

Declaration of Solvency

Section 89 Insolvency Act

Statement that company is solvent

Set out the company's assets and liabilities and detail surplus to shareholders

Statutory Declaration – sworn by majority of Directors in presence of Notary Public

Liabilities must be settled in full (with interest) within a period of 12 months

Meeting of Members

- ▶ Extraordinary General Meeting (EGM) called
- ▶ Must be held within 5 weeks of DOS
- ▶ EGM called on 14 days notice (usually waive notice)
- ▶ Table and consider the Declaration of Solvency
- ▶ Table the proposed Liquidator's Consent to Act
- ▶ Pass Special Resolution to wind the company up voluntarily
- ▶ Pass Ordinary Resolution to appoint the Liquidator

What Happens Next

- ▶ Initial contact made with bank
- ▶ Resolutions and Appointment of Liquidator advertised in Gazette
- ▶ Notification to Companies House and the Accountant in Bankruptcy
- ▶ Copy signed paperwork sent to Directors for retention
- ▶ Once funds received...first distribution



Members Voluntary Liquidation

What's the
hold up?

DEREK SIMPSON

What's the Hold Up?

- ▶ The Banks
- ▶ HMRC

The Banks

- ▶ Getting the money from the banks can be time consuming
- ▶ Private banks generally quite quick to respond
- ▶ With high street banks we have seen from 10 days up to 2 months. Generally, Santander reasonably quick, RBS can be quite slow.
- ▶ A named contact within the bank helps.

HMRC

Clearance required from 2 departments...

- ▶ Corporation Tax (quick)
- ▶ Enforcement & Insolvency Services (slow)

and a final VAT repayment claim (VAT427)

Corporation Tax

- ▶ Following receipt of the bank funds a final return is submitted to HMRC with a reconciliation for the period from the date of the final accounts. Corporation Tax clearance is sought
- ▶ Usually provide agreement and clearance within 28 days

EIS

Once we have CT Clearance we can apply for overall clearance from the EIS Team

This team keeps getting moved requiring re-training of staff.

2015 PAYE / VAT amalgamated and moved to Worthing

Feb 17 Worthing to Edinburgh

Apr 19 Edinburgh to Newcastle

Not the norm but we have had cases held up for 18 months

VAT 427

- ▶ Once we have clearance we can pay a final distribution and commence closure steps
- ▶ In order to reclaim VAT on expenses in the liquidation we submit a VAT 427
- ▶ These are currently taking 6 weeks to 3 months to be processed

Closure

- ▶ Final Meeting no longer required.
- ▶ Draft Report to Members advising of final report in 8 weeks
- ▶ Members can agree to waive the 8 weeks but must be all of them and in writing
- ▶ Flaw in legislation in that members must advise they will “make no such request or application” although there is no such request of application they can make! (copied and pasted from E&W Rules)
- ▶ Final report submitted to Members Companies House & AiB and company dissolved 3 months later

Case Studies

- ▶ ABC Maintenance Contracts Ltd
- ▶ LMN Engineering Products Ltd
- ▶ XYZ Associates Ltd

Other considerations

- ▶ Distribution in Specie
- ▶ Directors Indemnities
- ▶ Contingent liabilities
- ▶ EBTs
- ▶ S110
- ▶ Proxy votes



Questions?