

### **What if a company has cash, assets, few liabilities and no future purpose?**

A Member's Voluntary Liquidation (MVL) could be the most cost effective and tax efficient method for shareholders to extract their capital.

An MVL can be used to distribute the liquid assets of the Company to shareholders via a capital distribution whilst the non-cash assets can be either turned into cash or distributed "in specie" (NB subject to personal taxation depending upon an individual's circumstances). The company can then be dissolved and the directors' obligations removed.

An MVL is a voluntary procedure to wind up the affairs of a SOLVENT company. If a company has cash flow problems or creditor's actions against it, then a formal insolvency procedure may be required. If this is the position, options like a Company Voluntary Arrangement (CVA), Administration or Creditors Voluntary Liquidation (CVL) should be considered.

A company is solvent if it can pay all of its liabilities in full, plus statutory interest AND the liquidation costs involved in winding up the company. A statutory declaration is required as part of the MVL process and the directors have to swear this declaration confirming that all of the liabilities above can be paid.

The Members Voluntary Liquidation procedure is appropriate when a solvent company has come to the end of its useful life and needs to be wound up.

For example:

- When a company is an old established family business where the owners/parents have retired and children or family do not want to run the business.
- Shareholders want to retire and have cash and a property within the company which they want to transfer into their personal estate.
- Where a rationalisation of a group of companies is required; this may involve more than one MVL or a transfer to trading companies within the group.

With the provisions of entrepreneur's relief, it is also more tax efficient to take money out of the company via an MVL rather than taking it all out as a special dividend in most cases.

Please note that should your clients require any confidential advice regarding this or any other insolvency matter they are welcome to contact one of our Partners. An initial consultation is provided free of charge and without obligation. Also, if you or any of your colleagues require any clarification regarding insolvency law or procedure, please do not hesitate to contact us.