The MVL Process

Initial contact and advice. A review of the options.

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Tax advice input if required.

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Engagement letter signed, information request list issued to you and your accountant.

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You and your accountant provide the information and bring pre MVL accounts and tax returns up to date. We have an online portal for submission of information.

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We prepare the paperwork to enable the company to be placed in liquidation. A three stage process:

1. Board meeting - to resolve to wind the company up
2. Declaration of Solvency
3. General Meeting – resolve to appoint a liquidator

Liquidator appointed at the General Meeting, the powers of the directors cease on appointment.

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The Liquidation - The Liquidator realises assets, settles creditors, deals with final tax returns and statutory matters and makes payment to shareholders.

Distributions can be in cash, or assets. The timing of the distribution can vary and in some situations paid out shortly after the appointment. Distributions can be spread over more than one year if that is the best solution for tax efficiency.

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Liquidator calls final meeting of the company and ceases to act. The Company no longer exists. This is typically within 1 year of appointment.

Our Team

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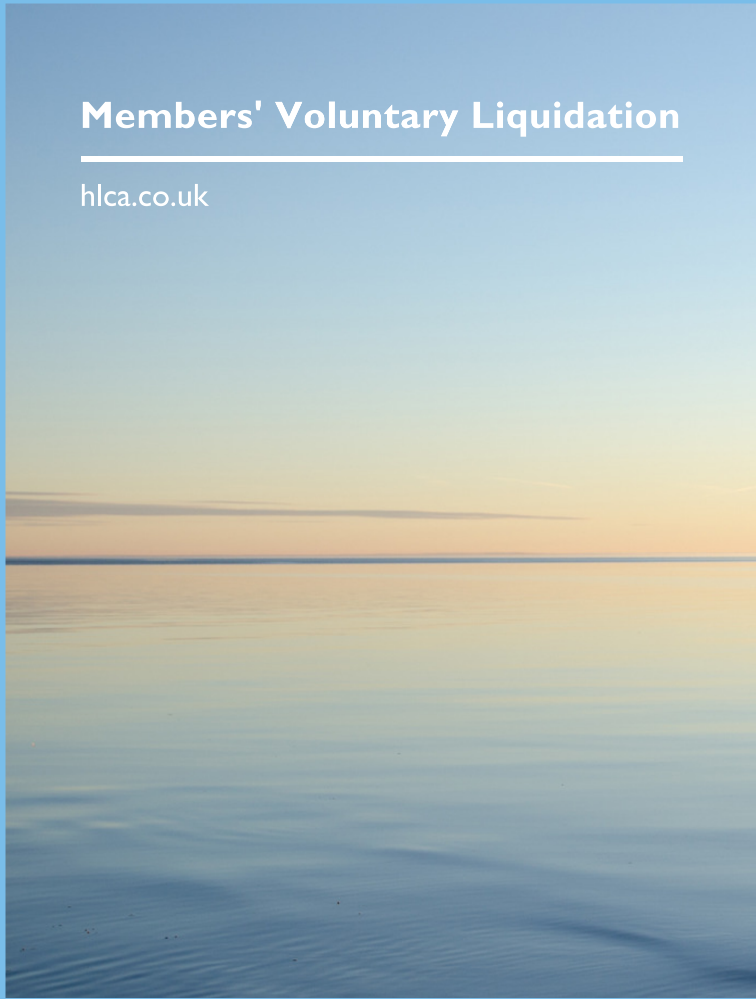

Members' Voluntary Liquidation

hlca.co.uk

ABERDEEN **DUNDEE** **EDINBURGH** **GLASGOW**

MVLs are a tax efficient way to close a solvent company. Solvent means that a company can pay its liabilities. Despite being a process for solvent companies, it must be carried out by a licensed insolvency practitioner.

It is particularly applicable to the following situations:

- Companies where there is more than £25,000 to be distributed to shareholders.
- Where a director is moving into permanent employment or retiring.
- Shareholders and/or directors have decided to go their separate ways.

Tax Efficient

A MVL provides a legitimate tax solution for shareholders wanting to withdraw investment from a company. Usually money withdrawn by shareholders is treated as income from a tax point of view. In a MVL, the liquidator ensures that all assets of the company are realised and that all expenses and liabilities are met. Following this, the surplus that remains is distributed to the shareholders. This is the final distribution of the company and can usually be considered as capital which is generally subject to lower levels of taxation. A MVL is one of the few legal ways that a company can make a distribution of capital to its shareholders.

In addition, shareholders extracting value from a MVL may benefit from Entrepreneurs' Relief further reducing the level of capital gains tax paid. Entrepreneurs' relief is a concessionary rate of capital gains tax (CGT) available to shareholders who own at least 5% of voting shares in a qualifying company. The applicable rate is 10% (subject to a lifetime £10m limit). There are conditions for this relief to be met so speak to a tax advisor.

The Liquidator will submit all the corporate tax returns required by the company during the liquidation but you are responsible for completion of your own personal tax returns. You should seek tax advice. We have in house tax specialists that can provide you with advice on the most efficient way to get your money out.

"Can't we just take the money out of the company ourselves and then write to companies house, enclosing a cheque for £10 to have the company dissolved?"

Yes – you can. However, there are a few things to consider:

1) Tax treatment of distribution. Under a striking off, only distributions of up to £25,000 generally qualify for the more generous capital gains tax.

2) Even if the company is dissolved there may be liabilities that enable a creditor to go through the process of restoring the company to the register up to 6 years after dissolution and clawing back shareholder distributions. An MVL extinguishes these liabilities.

3) If within the last three months the business traded, carried on business, changed its name. disposed of property, engaged in any activity except one necessary to move towards striking off, you cannot strike the company off.

4) In a striking off there is no ability to distribute assets, any leftover assets not dealt with properly become the property of the Crown

At the initial advice stage we will explore which solution is most appropriate for you. If a MVL is not the right solution we can help you implement the one that is.

The Declaration of Solvency

To put in place a MVL, a majority of the directors of a company must make a formal declaration of solvency. This declaration is a statutory document and must be sworn before a notary public. It must contain details of the assets and liabilities of the company and confirm that full enquiries have been made into the company's financial affairs. It states that the directors are of the opinion that the company will be able to repay its debts plus statutory interest within twelve months or less. The declaration must be made shortly before the company is put in liquidation.

If the company's debts remain unpaid within twelve months of the declaration being made, the directors must provide evidence to show how they formed the opinion the company was able to repay its debts when the declaration was sworn. If no evidence can be provided, the worst case scenario is imprisonment or a fine. Therefore, directors should make sure that they are completely satisfied with the figures in the declaration.

Tips for a Cost Effective and Efficient MVL

MVLs typically take between six months and a year to complete. It will depend on how much of the preliminary work you complete yourself and how complex the affairs of the Company are.

The more you do to wind up the affairs of the company prior to our appointment, such as paying all liabilities, submitting final returns and preparing final accounts will mean less time spent by the liquidator, and lower liquidation fees. Alternatively, you may have other things to focus on and wish to pay the liquidator for doing things that you could do yourself. Even companies that are still trading can be put into MVL with the liquidator ceasing trade before realising assets, settling liabilities and making a distribution to shareholders.

We work on a fixed fee basis, reserving the right to charge more should things not turn out not as expected. In a MVL the shareholders approve the fees and therefore remain in control.

HENDERSON LOGGIE
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