

NEUM - leaders in debt risk management

The solvent liquidation process is quite simple, but it is extremely important that the full tax implications are considered by the Directors before selecting the Members' Voluntary Liquidation option.

Neum are the first choice for referral by many accountancy and legal firms due to our highly strategic, compassionate and value-for-money service. Neum provide a Partner level manager to all clients so you are guaranteed the best advice and the best strategy at all times.

The smart move

Running a business is fraught with danger, specially in today's 'new normal', Neum are Debt Risk Management and Business Rescue specialists. We'll help you to identify the high risk scenarios so that you can manoeuvre round them and hopefully avoid insolvency altogether. If you have to resort to recovery tactics you'll be better prepared and faster to react. It's the smart move for switched-on and successful business owners.



Our 15 minute promise

First call Neum. Explain your problem and within 15 minutes, we'll provide you with the best route options available and reassure you about your future.



Our Expertise

Neum are leaders in debt risk management with an incredible depth of experience to navigate you successfully through challenging times. Our broad range of services include:

Corporate Solutions

- Risk Advisory and Mitigation Strategies
- Administration
- Company Voluntary Arrangement
- Company Voluntary Liquidation
- Members Voluntary Liquidation
- Creditors Voluntary Liquidation
- Compulsory Liquidation, and
- Fixed Charge / LPA Receivership

Personal Solutions

- Individual Voluntary Arrangement
- Bankruptcy

Informal Solutions

- Negotiation with Creditors and advice to Board of Directors.



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Solvent Liquidation

HELPING YOU FIND A BRIGHTER FUTURE



What is Liquidation?

Liquidation is the winding up of a company by realising the assets and distributing the proceeds amongst the shareholders (aka members) and creditors depending on whether the business is solvent or insolvent. At the end of the process, a company will be dissolved and cease to exist.

What is Solvent Liquidation?

A Members Voluntary Liquidation ("MVL") is the process of winding up of the company. The company must be solvent and able to discharge all its debts in full, together with the costs of liquidation and statutory interest to creditors, within a period of twelve months.

The MVL process is generally desirable to extract the net assets of the company to shareholders in the most tax efficient way. If the distribution of the assets is done via a liquidator, the distribution of assets will be subject to capital gains tax, generally taxable at 10% where an entrepreneur's relief is available, as opposed to income tax at higher tax rates, proving advantageous for the shareholders.

Post 1 March 2012, Extra Statutory Concession 16 ('ESC 16') was removed by the government and replaced with a more stringent statutory instrument. This means that solvent companies which are intending to dissolve, which have more than £25,000 of reserves, will be unable to gain the capital gains tax advantage on distribution unless the company is formally liquidated by a licensed insolvency practitioner.

The process is also used to restructure the business within a group; whereby certain companies are no longer required, or part of the business is to be disposed of. The business assets are distributed to new companies pursuant to Section 110 of the Insolvency Act 1986 and subject to the prior agreement with HM Revenue & Customs ("HMRC"), the distribution will be treated as tax neutral for the companies in the group.

Process of Liquidation

The MVL Process is quite straightforward and simple. It is very important for the stakeholders (ie the

Directors, shareholders and accountants) to understand the MVL process in order to achieve the objectives and target landmark stages of the liquidation. Neum Insolvency transparent process assists the stakeholders to plan in advance and overcome any potential issues. The duration of the process is approximately six months depending on receipt of HMRC tax clearances.

The MVL process is controlled by the ordinary shareholders of the company who appoint a liquidator to realise the assets, pay all creditors from the realisations and distribute the remaining net assets to the shareholders.

The Directors of a company have to instruct an insolvency practitioner to assist them to place the company into voluntary liquidation. The shareholders, usually at the Directors' request, pass the formal resolutions to put a company into MVL.

The Directors make a declaration confirming the solvent status of the company appended to which is a statement of the assets and liabilities of the company.

Who pays for cost of Liquidation?

The costs of liquidation will be met out of the realisation of assets.

Generally, the Directors ensure that there are minimum assets available in the liquidation for the liquidator to realise eg. cash at bank, loan account, debtors etc and also, the company's accountants file all the necessary returns to HMRC immediately upon the company place into liquidation.

When is the Solvent Liquidation process appropriate?

The common reasons include:

- Group Restructuring and minimising running costs of a dormant company
- Retirement or early exit strategies by the shareholders
- Sale of the business or stepping down from the family business
- Shareholders decide to take full time PAYE employment

- Disputes and lack of trust between Directors and/or shareholders
- Company set up as an investment vehicle and the purpose of the company has been fulfilled
- Minimising effects of declining fortunes of the company
- Investment property in the company which the shareholders do not wish to sell but wish to retain personal benefits from the distribution-in-specie

The importance of the Accountant's role in MVL

The Director is legally responsible for filing of all pre-liquidation period tax returns. Accordingly, a budget for the company's accountants fees for dealing with these matters is usually agreed between the and accountant prior to liquidation. Any failure on the company's part to file the outstanding returns for the period up to the date of liquidation can result in considerable delay in procuring HMRC clearances which ultimately affect the timing of the first interim capital distribution to shareholders.

