

# Shutting down a limited company

A guide to the common reasons for closing a company  
covering both the solvent and insolvent routes



OPUS RESTRUCTURING & INSOLVENCY

## About Us

Opus Restructuring & Insolvency, the primary division of Opus Business Advisory Group and is the Corporate Recovery and Restructuring arm known within the industry for its strong internal and external ethical approach. Opus Business Advisory Group is an advisory firm that assists businesses and individuals to take command and gain control of financial and operational challenges that are being faced, as well as supporting change and growth opportunities.

All who work at Opus are passionate about our place in the private and public sector communities which we support. Evolving from a core business of restructuring and insolvency, which has itself grown significantly, to forming additional multi-service divisions; Strategic Advisory, Forensic Accounting and Capital Partners.

The specialist divisions within the Group work together to support organisations through the complete business lifecycle, from launch, growth and shake-out through to maturity and if needed, exit solutions.

Our independent advisory services provide fresh thinking combined with specialist skills to facilitate the next step of a client's business journey.

Sometimes the financial situation for a business or an individual is so critical that the only exit solution is an insolvency process; or alternatively, the use of one of the formal insolvency procedures is the best way to rescue the business or facilitate a restructuring to put the business or the individual back on a sound financial footing.

Opus can provide advice on all of the UK insolvency procedures and as appointment taking Partners are all licensed insolvency practitioners, they act as office holder where this is appropriate.



## Reasons for closing a company

There are many reasons why companies need to be closed. Sometimes it can be single-purpose companies that have achieved their objective, such as the completion of a property development, or a charity dedicated to dealing with a specific social issue which is achieved its purpose. Other reasons could be the retirement of the owner, or the mutually agreed ending of a joint venture.

In less positive circumstances, a company which is insolvent and cannot pay its debts needs to be liquidated under the control of an Insolvency Practitioner, either at the instigation of its shareholders and directors or as a result of action against it by one or more of its creditors. The options available will depend very much on whether or not the Company is solvent or not.

We recognise that flexibility and speed is needed to be able to proactively engage with any businesses or individuals requiring restructuring and recovery services. The combination of our people provides a strong firm that can deliver this.



# Closing a solvent Company

There are two routes for ending the life of a Company, which has either already paid all of its debts, or else has the assets to do so.

## Voluntary Strike Off (Dissolution)

A solvent company can apply to be struck off by the Registrar of Companies. This is also known as Dissolution. It can be a cheap and quick way of closing down a Company which has either never traded or only has minimal assets or cash not exceeding £25,000 to distribute to Shareholders.

The basic criteria for a Voluntary Strike Off are that the Company:

- Has not traded or sold off any stock in the last 3 months.
- Has not changed names in the last 3 months.
- Is not threatened with liquidation.
- Has no outstanding agreements with creditors, e.g. an ongoing Company Voluntary Arrangement (CVA)

A wide range of actions need to be taken before a Company can be struck off, including:

- Complying with the rules and regulations surrounding redundancy payments, outstanding salaries and holiday pay.

- Dealing with digital and other intangible assets, such as internet domain names.
- Ensuring all PAYE, VAT, NIC and any other tax liabilities are paid up to date and then requesting that HMRC close any payroll scheme and end the VAT registration.
- Paying all creditors.
- Preparing and filing statutory accounts at Companies House and a tax return with HMRC, notifying them that they are the final accounts before closure.
- The assets must be apportioned between shareholders, with the amount of the distribution or total amount of the distributions if more than one, not exceeding £25,000.
- Closing all company bank accounts.
- Notifying HMRC that trading has ceased, and the company is to be struck off.
- Informing all interested parties of the decision to strike off by sending them a copy of the application to strike off the company. Interested parties include HMRC, employees, creditors, shareholders and pension fund managers.

Once all of the above and any other outstanding matters relevant to the Company have been completed, an application is made to Companies House to strike off the company. This is carried out using form DS01 ), which should be submitted along with the application fee.

If the application is accepted, a notice will be published in the Gazette, followed by another notice published two months later to announce that the Company has been dissolved, assuming there has been no objection to the Striking Off.



## **Members' Voluntary Liquidation**

The second option is to close a solvent Company by putting it into a Members' Voluntary Liquidation. This has a number of advantages, especially for Companies with significant assets. If the company has more than £25,000 to distribute to shareholders, an MVL is likely to be the best option. Money and other assets are distributed to shareholders through an MVL are treated for tax purposes as capital gains rather than income, potentially reducing the tax payable.

Business Asset Disposal Relief can be used to reduce the effective rate of tax payable even more. The recent Budget measures will reduce the tax advantages of an MVL from April 2025, but not eliminate them altogether.

The first step in the MVL is to confirm that the company is indeed solvent. The Directors must sign a Declaration of Solvency stating that they have made a full inquiry into the affairs of the company, and that

having done so, they have formed the opinion that the company will be able to pay its debts in full, together with interest at the official rate, within a period of 12 months.

The Shareholders pass a formal resolution to wind up the Company and appoint an Insolvency Practitioner to act as Liquidator to conduct the MVL process.

Once appointed, the Liquidator will notify the Registrar of Companies, creditors and the Gazette of the MVL, prior to getting in and / or selling off any remaining assets of the business (if any), paying any outstanding debts and distributing the residual funds after costs to the Shareholders. A final general meeting of the Company is called to be presented with a formal account of the Liquidation, which is then sent to the Registrar of Companies. The process can take from four to nine months on average.

## Closing an insolvent Company

### Creditors' Voluntary Liquidation

When a Company cannot pay its debt and the Directors decide to close it down, this is achieved through via a formal liquidation process known as a Creditors' Voluntary Liquidation (CVL). An Insolvency Practitioner is appointed to liquidate all assets belonging to the company and to ensure these proceeds are used to repay as much of outstanding debts as possible in a legally compliant manner, as set out in the Insolvency Act. A CVL is the most common type of liquidation and puts the interests of suppliers and other creditors ahead of all other stakeholders, such as the Shareholders.

If the Directors suspect that a company may be insolvent, we strongly advise that they seek advice from an Insolvency Practitioner or other insolvency professional. Directors' duties change once a company becomes insolvent, and, if they do not act quickly or take appropriate steps, they could incur a personal liability for a company's debts.

### Voluntary Strike Off (Dissolution)

A Company can still be dissolved even if it still has unpaid debts, but its creditors must be notified of the intention to dissolve and ideally give their written consent. Unpaid creditors can and normally do object to the Dissolution.

Importantly, the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 gives the Insolvency Service the power to investigate dissolved Companies and their Directors, as well as to take Director Disqualification proceedings, which may lead to personal liability for Directors for any debts remaining unpaid at the date of Dissolution.

### Registering a Company as Dormant

Shareholders sometimes decide that they no longer want to trade through a particular Company, but are uncertain about their long-term plans for its business and its assets. Under these circumstances, Companies House can be notified that it is now Dormant.

This can be a sensible way to protect the Company's name if there is a possibility of wanting to resume trading through the Company in the future. An annual Confirmation Statement will still have to be filed at Companies House while the Company is registered as Dormant and annual accounts complying with the disclosure requirements for Dormant Companies must also be submitted.

## Contact Opus

The Group has 14 offices across the UK, with staff of over 130 including 32 Partners, each with a wealth of experience.

Offices are located in London, Milton Keynes, Birmingham, Bristol, Croydon, Edinburgh, Glasgow, Leeds, Liverpool, Maidstone, Manchester, Newcastle upon Tyne, Nottingham and Preston.

If you would like to speak to us about closing your business, please contact us on:

Call: 0203 995 6380

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Further information about Opus can be found here:

<https://opusllp.com/restructuring-insolvency/>

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