

## Members Voluntary Liquidation (MVL)

Where the life of a solvent company is to be brought to an end a 'Members Voluntary Liquidation' ("MVL") can be used. An MVL is sometimes known as a "solvent liquidation" as all creditors are paid in full and the surplus is paid back to the shareholders.

To demonstrate "solvency" the directors of the company must swear a Declaration of Solvency incorporating a Statement of Affairs to demonstrate that the company is solvent before their company can be placed into Members Voluntary Liquidation. The directors, or a majority of them, *must swear a statement that:*

- *They have made full enquiry into the company's financial affairs and*
- *They have formed the opinion that the company will be able to pay all its debts, with an addition for interest, within 12 months*

If that statement of solvency is sworn then it is the members (shareholders) of the company who are the ones who pass the resolution to place the company in Members Voluntary Liquidation and appoint the liquidator of their choice.

It is the liquidator's responsibility to realise the assets of the company. He must also ensure that all liabilities are identified and paid in full, together with interest where appropriate. This will include all tax liabilities up to the date of liquidation; therefore accounts must be prepared in order that all corporation tax can be accounted for. Also all PAYE and VAT returns up to the date of liquidation must be completed and amounts due paid over to HMRC.

Once all liabilities have been paid in full then the balance of the company's funds, will be paid to the members by way of a capital distribution. In order to benefit from more than one year's annual exemption distributions can be split and paid on either side of the tax year end.

When this process has been completed the liquidator will hold a final meeting of members. The liquidator must send the final progress report to the Registrar of Companies attached to a return of final meeting form.

Unless the court makes an order deferring the dissolution of the company, it is dissolved three months after the return and account are registered at Companies House.

If you have solvent companies that you wish to liquidate please get in touch as soon as possible.

For more information for English companies contact Elaine Wilcox on 01228 690200 or email [elaine.wilcox@armstrongwatson.co.uk](mailto:elaine.wilcox@armstrongwatson.co.uk)

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