# Solvent Liquidations

## *How to exit a solvent company*

### Members' Voluntary Liquidation

This is a procedure that allows a solvent company to voluntarily place itself into liquidation to distribute its assets amongst its shareholders after all of the company's creditors have been paid in full.

MVL's are an effective means of closing and winding-up the affairs of solvent companies and are often used to capitalise on available tax reliefs.

There are certain rules that must be followed to ensure this procedure works correctly.  For example, all of the company's creditors must be paid within a 12 month period from the date of liquidation.

### Section 110 Reconstruction

Section 110 of the Insolvency Act 1986 is used to dispose of parts of an existing company's business to two or more separate entities and liquidate the original corporate entity.

In many instances, the sale involves accepting shares in a newly formed entity and distributing the same *'in specie'* to the shareholders of the liquidated company using advantageous tax initiatives.

An MVL is the platform used for this reconstruction.  It is usually in order to achieve tax benefits for the shareholders and to seek tax clearance from HMRC in advance of the liquidation process.


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insolvencyandrecovery.co.uk


Chapelworth House
1 Chatsworth Road
Worthing
West Sussex
BN11 1LY

Tel: 01903 239313