Fact sheet: What is a Members' Voluntary Liquidation?

Members Voluntary Liquidations (MVL's) are often seen as an ideal solution when business owners want to close a solvent business, for example as part of their retirement planning.

Gareth Hunt, Head of Business Recovery at RPG explains when an MVL may be used, its benefits and the process to be followed.

A Members' Voluntary Liquidation (MVL) is a legal process used to wind up a solvent company (one that can pay any debts in full) in an orderly manner. This process allows shareholders to extract the company's remaining assets in a tax-efficient way.

When might it be used?

An MVL is an ideal solution:

- When the company owners are looking to retire or exit the company. It can be ideal when the company owners are, say, consultants and are looking to retire. This process provides a tax efficient outcome, also ensuring that all of the loose ends are tied up.

- When the company is no longer needed but still holds significant retained profits. For example, when the owners have used their company to hold rental properties, an MVL can be an ideal mechanism to extract funds tax efficiently after selling the properties.

- When the company directors are seeking a tax efficient way to withdraw funds, possibly to restructure or start a new venture. This route provides tax efficient funds and a fresh start.

What are the benefits of using an MVL?

If you are in the position of wanting to close your existing, solvent business, there are many benefits to using an MVL, the most significant probably being tax efficiency.

1. Tax efficiency:
   - Funds distributed via an MVL are subject to Capital Gains Tax (CGT) rather than Income Tax, often resulting in lower tax rates.
   - Business Asset Disposal Relief (formerly Entrepreneurs' Relief) can reduce Capital Gains Tax to 14% on qualifying amounts, although this will increase to 18% from 6 April 2026.
   - It is worth bearing in mind that the Autumn Budget will be delivered on 26th November when further changes to taxes are anticipated.
   - We can work alongside RPG's specialist tax team who can provide you with additional tax advice which will relate directly to your own personal circumstances.

2. Clean exit:
   - This process ensure that all loose ends, liabilities and legal matters are fully resolved before closure.
   - It provides a structured process to distribute remaining wealth.
   - The RPG Business Recovery Team are very happy to liaise with your personal tax adviser and personal financial planner for help with tax planning. We can also make introductions to specialists if required.

3. Maximising shareholder value:
   - Instead of simply withdrawing cash and paying income tax, owners can extract retained profits more efficiently (see tax efficiencies above)
   - Assets such as property or investments can be distributed in a tax-effective way.

4. Avoiding ongoing compliance costs:
   - Once the MVL is complete, there are no further obligations such as filing annual accounts, tax returns, or paying ongoing corporate taxes. This is especially relevant now as Companies House is increasing the compliance requirements of company directors.

5. Protects your reputation:
   - A properly handled liquidation ensures that all creditors and stakeholders are dealt with fairly, avoiding legal issues or disputes.

What is the process for an MVL

1. Solvency requirement: The company must be able to pay all its liabilities within 12 months.
2. Appointment of an Insolvency Practitioner to manage the whole process including asset distribution and the closure of the company.
3. Declaration of Solvency: This is prepared by the instructed Insolvency Practitioner, and directors must sign and swear a formal declaration with a solicitor stating the company is solvent.
4. Directors confirm the company can pay all debts within 12 months.
5. Shareholder Resolution and members vote to proceed with liquidation.
6. Distribution of assets: the Insolvency Practitioner will manage the whole process. After debts and costs are settled, remaining assets are distributed to shareholders.
7. Final Dissolution: The company is officially removed from the register at Companies House.

8. The time frame from the appointment of the Insolvency Practitioner to the Final Dissolution is generally a maximum of 12 months.

Why speak to RPG Business Recovery about an MVL?

- Unparalleled Expertise: Our Insolvency Practitioners have knowledge of MVL procedures, built up over years of hands-on experience. We will guide you step-by-step, ensuring every detail is handled with precision.

- Customised Solutions: No two businesses are alike. We tailor our MVL services to your company's requirements and long-term objectives, no matter what the size of the company.

- Compliance & Regulation: We stay ahead of evolving legal requirements. Your MVL will be executed in full accordance with current regulations.

Gareth Hunt, Head of Business Recovery at RPG Business Recovery incorporating Crawfords

For further information about how we can help, please email BusinessRecovery@rpg.co.uk. Last date reviewed September 2025 – please do not rely on this document alone and seek advice to take into account your own circumstances.

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