

DIRECTORS GUIDE

WHAT CAN BE DISTRIBUTED IN AN MVL (BEYOND CASH AT BANK)?

When a company enters a Members' Voluntary Liquidation (MVL), its assets are distributed among shareholders after all debts and liabilities have been settled. While many companies distribute cash at bank, an MVL allows for the distribution of other assets, which can be more tax-efficient depending on the circumstances.

This guide explores what assets can be distributed, how they are handled in liquidation, and the potential tax considerations.

What Assets Can Be Distributed in an MVL?

Beyond cash, a company may hold other valuable assets that can be distributed in-specie (in their current form) to shareholders. These include:

1. Property & Land

If the company owns commercial or residential property, it can be transferred directly to shareholders rather than being sold. This is known as an in-specie distribution, which may help avoid additional costs such as Capital Gains Tax (CGT) on disposal and Stamp Duty Land Tax (SDLT) if structured correctly.

Considerations:

- ✓ Tax-efficient if shareholders plan to retain ownership rather than sell.
- ✓ SDLT may apply depending on the transfer structure.
- ✓ If a mortgage exists, refinancing or settlement may be required.

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2. Directors' Loans & Shareholder Loans 💰

If the company has loaned money to directors or shareholders, this can be waived or offset as part of the MVL process instead of requiring repayment.

💡 Considerations:

- ✓ If the loan is waived, it may be treated as income for the borrower and subject to Income Tax.
- ✓ If repaid before liquidation, this avoids potential tax complications.
- ✓ Loans should be properly documented in the company's financial statements.

3. Investments & Shares in Other Companies 📈

A company may hold shares in another business or investment portfolios (e.g., stocks, bonds, or crypto assets). Rather than selling them, these can be transferred to shareholders as part of the liquidation process.

💡 Considerations:

- ✓ Transfers may avoid CGT if shareholders plan to hold rather than sell.
- ✓ Some shares may have restrictions on transferability.
- ✓ Proper valuation is required to ensure fair distribution among shareholders.

4. Physical Assets (Equipment, Vehicles, Machinery, etc.) 🚚🔧

If the company owns machinery, equipment, tools, vehicles, or office furniture, these can be transferred to shareholders instead of selling them.

💡 Considerations:

- ✓ Can be cost-effective if shareholders intend to reuse or personally retain the assets.
- ✓ VAT may apply if the company was VAT-registered.
- ✓ Assets should be professionally valued before distribution.

5. Intellectual Property (IP) & Goodwill 📄💡

Some companies have valuable intangible assets, such as:

- Trademarks & Patents
- Copyrights
- Domain Names & Websites
- Brand Reputation & Goodwill

These can be transferred to shareholders who may continue using them or license them to a new business.

💡 Considerations:

- ✓ Intellectual property can be difficult to value, requiring expert input.
- ✓ Goodwill may have limited market value unless linked to a profitable brand.
- ✓ Transfer of domain names and websites should be formally documented.

6. Cryptocurrency & Digital Assets

With the rise of crypto investments, some companies hold Bitcoin, Ethereum, NFTs, or other digital assets. These can be distributed in their original form rather than liquidating them for cash.

Considerations:

- ✓ Crypto transactions must be properly recorded to ensure tax compliance.
- ✓ Market fluctuations can significantly impact value.
- ✓ Some shareholders may prefer cash instead of receiving digital assets.

How Are Non-Cash Assets Distributed?

Option 1: In-Specie Distribution

- Assets are transferred directly to shareholders instead of being sold.
- This method avoids CGT at the company level.
- Beneficial if shareholders want to retain the assets.

Option 2: Sale & Cash Distribution

- The liquidator sells the assets and distributes proceeds to shareholders.
- May trigger CGT at the company level before final distribution.
- Preferred when shareholders want liquidity instead of physical assets.

Tax Considerations

- ✓ Business Asset Disposal Relief (BADR): If shareholders qualify, distributions in an MVL are subject to 10% CGT rather than higher dividend tax rates.
- ✓ Stamp Duty & SDLT: If property or shares are transferred, these taxes may apply.
- ✓ VAT: If the company was VAT-registered, VAT implications must be considered on in-specie distributions.
- ✓ Loan Write-Offs: If director loans are written off, they may be taxable as income for the recipient.

Final Thoughts

While cash is the most common asset distributed in an MVL, many other assets can also be transferred efficiently. The best approach depends on tax implications, shareholder preferences, and asset liquidity.

Directors and shareholders should seek professional insolvency and tax advice to structure distributions in the most tax-efficient way.