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Closing a Limited Company

Your options for closing a company, the steps involved and the tax on money you take out

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There are many reasons to close a company: retirement, a change of direction or simply that it has done its job. How you close it affects the tax you pay on any money left in the company, so it pays to plan. This guide explains the options and steps.

> *"I started Zen to make finance feel calm and clear for business owners. I hope this guide answers your questions, and if anything doesn't quite fit your situation, I'm always happy to talk it through with you."*
>
> **Ann Williams**
> Founder, Zen Bookkeeping & Advisory

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01 Your options

Option	When it's used	Key points
Voluntary strike-off	A solvent company with no debts that has stopped trading	Simple and low-cost; distributions up to £25,000 can be treated as capital
Members' voluntary liquidation (MVL)	A solvent company with more than £25,000 to distribute	Run by a licensed insolvency practitioner; distributions are usually treated as capital
Creditors' voluntary liquidation (CVL)	An insolvent company	Run by an insolvency practitioner for the benefit of creditors
Dormant company	You may want to restart later	Keeps the company alive with minimal filings

02 Voluntary strike-off: step by step

1. **Stop trading**
   The company must not have traded, sold stock or changed its name in the last 3 months.
2. **Settle everything**
   Pay all debts, including tax, and collect what you're owed.
3. **File final returns**
   Final accounts and Corporation Tax return; close the PAYE scheme and deregister for VAT.
4. **Distribute remaining funds**
   Take out any remaining money before applying, as anything left becomes Crown property.
5. **Apply to Companies House**
   File form DS01 and send a copy to shareholders, creditors, employees and HMRC within 7 days.
6. **Wait for dissolution**
   A notice is published in The Gazette; if nobody objects, the company is dissolved after about 2 months.

! Before you apply

HMRC will object if returns are outstanding or tax is unpaid. Close the business bank account only after all payments have cleared.

03 The tax on money you take out

- On a **strike-off**, if the total distributed is **£25,000 or less**, it can be treated as a capital distribution subject to Capital Gains Tax. Above £25,000, the whole amount is taxed as a dividend.
- In an **MVL**, distributions are usually treated as capital, whatever the amount.
- **Business Asset Disposal Relief** may reduce the Capital Gains Tax rate to **18%** on up to £1 million of lifetime gains if the conditions are met.
- **Anti-avoidance rules** can tax distributions as income if you carry on a similar trade within 2 years of the winding up.

£25,000
limit for capital treatment on strike-off

18%
Business Asset Disposal Relief rate from April 2026

2 months
Gazette notice period before dissolution

04 Your closing checklist

- [ ] Decided the right route with your accountant.
- [ ] All customers, suppliers and contracts notified.
- [ ] Employees paid and PAYE scheme closed.
- [ ] VAT deregistered and final VAT return filed.
- [ ] Final accounts and Corporation Tax return filed and tax paid.
- [ ] Remaining funds distributed in the most tax-efficient way.
- [ ] Assets sold or transferred.
- [ ] Strike-off or liquidation started.

✦ Zen tip

Plan your company's closure at least a few months ahead. The timing of your last dividends and final accounts can make a real difference to the tax you pay.

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How Zen can help

We help you choose the right way to close your company, file the final returns and keep the tax as low as the rules allow.

- Final accounts and tax returns
- Strike-off applications
- Liaison with insolvency practitioners
- Tax planning on closure
- Closing payroll and VAT
- Company secretarial support

Book a free, no-obligation call

Tell us about your business and we'll explain how we can help, with a tailored fixed-fee quote for just the services you need.

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