MOORE STEPHENS

Streamline your business structure

Restructuring & insolvency
Business Tax

PRECISE. PROVEN. PERFORMANCE.

Streamline your business structure

Unnecessarily complex group structures can be costly, inefficient and unattractive to potential purchasers of your business.

Many groups will have entities within their corporate structure which are no longer required, for example inactive companies or duplicate companies in a group performing a similar function.

By removing surplus entities you can release capital, save recurrent costs such as audit, accounting, tax compliance and Companies House compliance, and eliminate wasted management time, whilst creating a transparent structure which is attractive to potential buyers.

A group 'tidy-up' is often a key component of an organisation's exit strategy. Cumbersome group structures are unattractive to purchasers as they can lack transparency and can lead to increased due diligence costs.

Moore Stephens can help you streamline your structure, whether your business is local, national or international. We provide commercial advice ensuring that the key tax issues are understood and addressed at the outset. We are focused on achieving the most efficient, cost effective and risk-free outcome for our clients.

Our service is tailored to the needs of your organisation and the level of professional assistance you require to facilitate your simplification exercise. We can help you with all, or parts of the process.

Initiation

After our initial review, we provide a high level report setting out the results of our evaluation, the actions to be considered pre-elimination and our recommendations for the most appropriate simplification method.

Methods of simplification

These vary greatly in terms of procedure, cost and timescale.

Additional factors will also influence the choice of simplification method, including the directors' risk profile, recent trading activity, level of non-distributable reserves, availability of distributable reserves and cost. We will work with you to understand your objectives and recommend the most appropriate solution for your business.

Members' voluntary liquidation

Often referred to as a solvent winding-up, the MVL process requires that creditors be paid in full. It is appropriate when the directors believe the company is solvent but they no longer wish for the company to trade. An MVL provides a method for eliminating a company, distributing the remaining assets after payment of all creditors, leaving no outstanding matters for the directors and shareholders.

It requires the directors to swear a declaration of solvency to the effect they have made a full inquiry into the company's affairs and confirming that creditors will be paid in full, together with interest at the official rate, within 12 months.

An MVL is the preferred method where a company has significant distributable reserves or an uncertain corporate history. It is often favoured by directors as there is a robust due diligence process and once the company ceases to exist, there is no recourse to shareholders or directors.

Striking-off

An application is made by the directors under the Companies Act 2006 to the Registrar of Companies to have a company struck-off the register. The company must not have traded or carried out any business activities in the previous 3 months. Any remaining assets of the company after dissolution become *bona vacantia* and vest in the Crown. So where a company has significant issued share capital it may be appropriate to carry out a capital reduction in advance to return capital to shareholders.

A strike-off is typically used when the corporate history is known and non-distributable assets are minimal. It is a cost-effective and less formal solution than an MVL. However, it lacks the reassurance provided by the appointment of a professionally qualified liquidator.

Capital reduction followed by striking-off

The Companies Act 2006 introduced a procedure which enables private companies to reduce their share capital without court sanction, by a special resolution supported by a solvency statement made by the directors. It allows companies to return surplus assets to shareholders which would otherwise pass to the Crown.

This option can be attractive to highly capitalised companies which have been dormant for a long time. It can also allow companies to create distributable reserves which can be used to release inter-company balances and make distributions prior to strike-off.

Tax and other considerations

It is essential that robust investigation and planning is undertaken in advance.

Ultimately, a company must dispose of all its assets and liabilities, including inter-company balances, and then eliminate its distributable reserves. This gives rise to a number of commercial and tax implications.

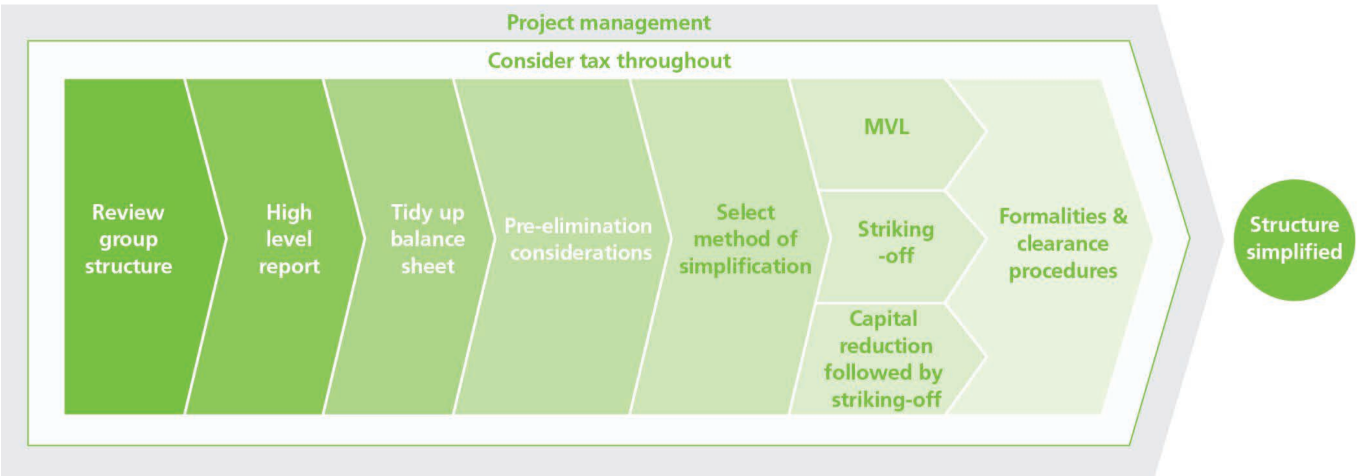
Enquiries should be made into the company's assets and liabilities, ensuring all actual and contingent liabilities are identified. This may include a review of property leases, guarantees and warranties given by the company, bank security arrangements along with employment contracts and pension schemes.

Our tax and VAT specialists work with you to ensure any pre-elimination restructuring is tax-efficient and does not give rise to any unintended tax charges or loss of reliefs. Particular attention is paid to the rationalisation of inter-company balances and the tax treatment of distributions. Formal clearance must be obtained from HMRC prior to dissolution to the effect that there are no outstanding liabilities and all filing obligations have been met. It is important to engage with HMRC early in order to agree the procedure for filing tax returns and outstanding accounts.

Next steps

For more information please get in touch.

Our approach



Moore Stephens in the UK

Moore Stephens is the UK's 10th largest independent accounting and consulting network, comprising over 1,300 partners and staff in 35 locations.

Our objective is simple: to be viewed by clients as the first point-of-contact for all their financial, advisory and compliance needs. We achieve this by providing sensible advice and tailored solutions to help clients achieve their commercial and personal goals.

Clients have access to a range of core and specialist services including audit and tax compliance, business and personal tax, trust and estate planning, wealth management, IT consultancy, governance and risk, business support and outsourcing, corporate finance, corporate recovery and forensic accounting.

Our success stems from our industry focus, which enables us to provide an innovative and personal service to our clients in our niche markets. Specialist sectors include charities & not-for-profit, education, energy & mining, family offices, financial services, healthcare, hotels & leisure, insurance, pensions, professional practices, public sector, real estate, shipping, social housing, sports and technology & media.

Moore Stephens globally

Moore Stephens International Limited is a global accountancy and consulting network, headquartered in London.

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By combining local expertise and experience with the breadth of our UK and worldwide networks, clients can be confident that, whatever their requirement, Moore Stephens will provide the right solution to their local, national and international needs.

Contact information

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