

Closing a Company — All Options

Strike off, liquidation, administration, and informal closure — when each route may be appropriate.

There are several ways to close a limited company in the UK, and the right approach depends on whether the company is solvent or insolvent, whether it has assets to distribute, and what the directors are trying to achieve. This guide summarises each option so you can understand which route may be most appropriate for your situation.

1. Strike Off (Voluntary Dissolution)

A strike off involves applying to Companies House using form DS01 to have the company removed from the register. It is the simplest and cheapest method of closing a company, but it is only suitable where the company has not traded in the last three months, has no outstanding debts or liabilities, has no assets of significant value (or has distributed them), and is not involved in any legal proceedings.

If the company has more than £25,000 to distribute to shareholders, a strike off is not tax-efficient. Distributions above this threshold will be taxed as income rather than capital. An MVL would typically be the better option in these circumstances.

Creditors, employees, and other interested parties can object to a strike off, which may delay or prevent it. HMRC commonly objects where tax returns are outstanding or where there are unpaid liabilities.

2. Members' Voluntary Liquidation (MVL)

An MVL is a formal winding-up process for solvent companies. The directors make a statutory declaration of solvency, shareholders pass a resolution to wind up, and a licensed insolvency practitioner is appointed as liquidator. The liquidator collects the assets, pays any outstanding debts, and distributes the surplus to shareholders as capital, which may qualify for Business Asset Disposal Relief (CGT at a reduced rate on the first £1 million).

An MVL costs more than a strike off, but the tax savings usually far outweigh the additional cost where the company has significant retained profits.

3. Creditors' Voluntary Liquidation (CVL)

A CVL is the standard route for closing an insolvent company in an orderly and responsible manner. The directors and shareholders resolve to wind up the company, and a licensed insolvency practitioner is appointed as liquidator. The liquidator takes control of the company's assets, realises them for the benefit of creditors, and investigates the company's affairs. Employees are made redundant and can claim statutory entitlements from the government.

A CVL is generally seen as the responsible course of action for an insolvent company. It demonstrates that the directors took appropriate advice and acted to protect creditors' interests, which is an important consideration when the liquidator comes to report on the directors' conduct.

4. Administration

Administration is a formal insolvency process that places the company under the protection of the court via a moratorium, preventing creditors from taking enforcement action. An administrator (a licensed insolvency practitioner) is appointed to manage the company's affairs with the aim of rescuing the company as a going concern, achieving a better result for creditors than would be likely in a liquidation, or realising assets to make a distribution to secured or preferential creditors.

In practice, administration is most commonly used to facilitate the sale of a viable business (or part of it) as a going concern, often through a pre-pack sale. It tends to be more expensive than a CVL and is usually only appropriate where there is a realistic prospect of saving the business or achieving a better outcome for creditors than a straightforward liquidation.

5. Company Voluntary Arrangement (CVA)

A CVA is a binding agreement between the company and its creditors to repay debts over an agreed period, typically 3 to 5 years. It allows the company to continue trading while making affordable payments to creditors. A CVA must be proposed by the directors and supervised by a licensed insolvency practitioner, and it requires the approval of at least 75% (by value) of the creditors who vote.

A CVA can be effective where the underlying business is profitable but has been burdened by historic debts. However, it requires creditor support, and HMRC in particular can be reluctant to agree to a CVA unless the terms are reasonable and the company's track record suggests it can deliver on its promises.

6. Informal Closure (Dormancy)

A company can be made dormant by ceasing to trade and filing dormant company accounts. The company remains on the register at Companies House and must continue to file annual confirmation statements and dormant accounts. This approach avoids the cost of formal closure but requires ongoing administration. It is generally only a temporary measure — at some point, the company should either be struck off or wound up.

Quick Comparison

Option	Solvent?	Cost	Timescale
Strike Off	Yes	Low (£33 filing fee)	3–6 months
MVL	Yes	Moderate	3–12 months
CVL	No	From assets or deferred	6–24 months
Administration	No	Higher	12–18 months
CVA	No (but viable)	Moderate	3–5 years
Dormancy	Either	Minimal (ongoing)	Indefinite

Not sure which route is right? The best starting point is a conversation with a licensed insolvency practitioner. At Insolvency Direct, we offer a free initial consultation where we assess your company's position and recommend the most appropriate course of action. There is no obligation, and everything discussed is treated in confidence.