



JW ACCOUNTANTS – SPECIALIST ADVISORY PRACTICE

# MEMBERS' VOLUNTARY LIQUIDATION

AN ASSESSMENT OF THE PROCESS AND BENEFITS OF AN MVL

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# Members' Voluntary Liquidation

– where a solvent company has ceased to trade and has assets to be distributed to its shareholders a liquidator is appointed through a Members' Voluntary Liquidation (“**MVL**”).



# Benefits of a Members' Voluntary Liquidation

The *potential* benefits of a MVL are summarised below:

1. A MVL can be used by a group as **part of a restructuring** to simplify its corporate structure.
2. As the company will be dissolved at the end of the MVL, it **saves on annual compliance fees**.
3. A MVL **negates the prospect of an inactive / dormant company being involuntarily** struck off with the CRO and the potential penalties and fees this may attract.
4. The company's **surplus assets are distributed to its shareholders** and this income will be subject to **capital gains tax** (rate is currently 33%) as opposed to income tax.



# Benefits of a Members' Voluntary Liquidation

5. **Assets**, such as a property, can be distributed to the shareholders by way of a distribution *in specie*.
6. Other potential tax benefits include:
  - **Revised Retirement Relief** - receive a distribution of up to €1million (limit as at July 2020) with this distribution subject to a reduced rate of 10%.
  - **Stamp Duty** - stamp duty on non-residential property is currently 7.5% and it may be possible to transfer a commercial property as part of a MVL without stamp duty applying.
  - It may be possible to claim Retirement Relief.



# CRITERIA

## Solvent

A company **must be solvent** with surplus assets over liabilities. Debtors are included as an asset of the Company, but must be included in a conservative ("guaranteed to collect") manner;

## Ceased Trade

A company **ceases to trade** as part of a MVL.

## Taxes up to date

The Company's **tax affairs should be in order**. Any outstanding returns and/or liabilities can be filed either by the company accountant prior to winding up or by the liquidator following his/her appointment;

## Financial Statements

There is **no requirement** for the financial statements to be prepared for the financial year that a company enters liquidation;

## Independent Person

An **Independent Person** is required to sign off on a company's Declaration of Solvency which summarises a company's assets and liabilities. The directors state that a company will be able to pay its debts within 12 months of the commencement of the liquidation.



# COMMENCEMENT OF THE PROCESS

## Board Meetings

A board meeting is held to consider placing the company into a Members' Voluntary Liquidation with minutes of the meeting prepared and signed. A second board meeting is then held to undertake to wind up the company;

## Consent

Consent to short notice of the calling of an extraordinary general meeting is obtained from the auditor / accountant of the company together with the shareholders of the company

## Notice of Meetings

Notice of an extraordinary general meeting of the company to place the company into liquidation is provided to the members

## EGM

The extraordinary general meeting is held and the special resolution to appoint the Liquidator is then approved and signed. This will form part of the Form G1 which is also signed and is filed with the CRO.

## Declaration of Solvency

A Declaration of Solvency (E1-SAP) together with an Independent Person's Report is submitted to the Companies Registration Office. Notices of the appointment are then placed in Iris Oifigiúil



# How can JW Accountants assist you and your Company?

At **JW ACCOUNTANTS**, we can provide you with guidance on any proposed MVL.

JWA provide the following services:

- Review of company to ascertain potential benefits of MVL.
- Preparation of all paperwork required for MVL.
- Acting as liquidator as part of a MVL.
- Ensure process is concluded as expediently as possible and that all distributions are made in a timely manner.



# JW ACCOUNTANTS

**JW Accountants** is a specialist advisory firm with significant expertise in the areas of corporate finance, examinership and liquidations. Our team has extensive experience in MVLs covering a wide range of companies across different sectors. Should you have any queries on the above or need to discuss the MVL process and your options on a confidential basis please contact one of the JWA team members below.

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