

Closing or restoring a limited company guide



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Closing your limited company

After starting a new business it is quite common for it not to be trading quite as well as you had expected.

You may be struggling to generate sales, or the idea may never have fully gotten off the ground. The business may also have simply run its course and needs closing.

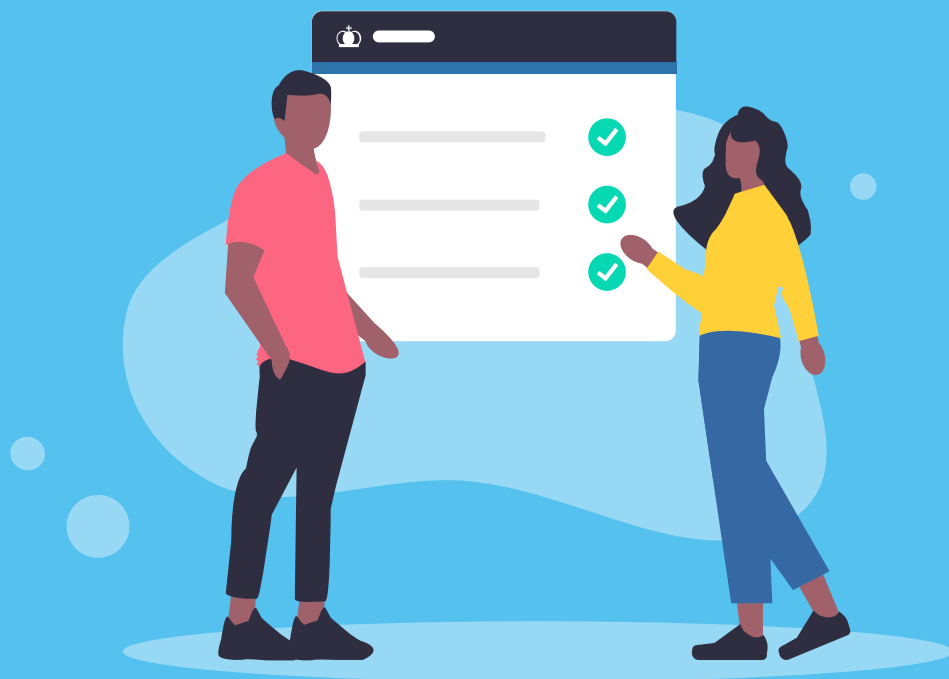
If any of these situations apply to you, then the first step to closing your limited company is to completely cease trading, i.e. stop making sales and incurring expenses.

You can then decide if you want to strike the company off and formally dissolve it, or hold the company as none trading for future use.

Please contact your dedicated accountant to inform them of your upcoming closure and discuss the best way forward.

There are a number of ways your limited company can be closed:

- ✓ Hold your company as non-trading
- ✓ Dissolve your company
- ✓ Voluntary liquidation
- ✓ Winding up order



Hold your company as non-trading

You can cease trading through your company and hold it as non-trading if you think you could use it again in the future.

Although your company has ceased trading, it doesn't necessarily mean you have to dissolve it. There are several reasons you may wish to keep it, such as:

- ✓ Trade using the company again in the future
- ✓ Sell the assets of the company in the future
- ✓ Keep the company name and/or brand alive
- ✓ Offset any incurred tax losses against future earnings

Your company will still need to file non-trading accounts and confirmation statements with Companies House, as well as accounts and tax returns with HMRC.

We can help you with this.

Our fee is £270 + VAT per year to file all the necessary accounts and returns and hold your company as non-trading.



Dissolve your company

In many cases a company can come to a natural end, and you may want to formally close it down if you see no future or reason for keeping it.

If this is the case, you can simply apply to formally strike it off at Companies House by filing form DS01, but you must follow company law when doing this.

You must file any outstanding Accounts with Companies House and HMRC before beginning the process. Otherwise, HMRC may object to the strike off and stop it from being processed.

Who can apply to dissolve the company?

- ✓ Sole directors, if there is only one
- ✓ Both directors, if there are two
- ✓ Majority of directors, if there are three or more

A company may also be struck off the registrar if you don't correctly file your accounts and confirmation statement on time.



Conditions to commence dissolution

Your company must adhere to the following conditions to commence the dissolution process and file the DS01 form:

Not trading

The company must not have traded for three months prior to the application to strike off.

No name changes

The company must not have changed its name during this three month non-trading period prior to the application.

No legal issues

The company should not be subject to any CCJs, Statutory Demands, Winding Up Petitions or Administration Petitions.

Inform creditors

Under UK law, any creditors and shareholders must be informed of the closure and sent a copy of the DS01 form.

If you have creditors, including HMRC, and want to strike off your company, we strongly recommend you speak with an Insolvency Practitioner before you take any action.



Voluntary liquidation

In some circumstances, you may have incurred debts that you are struggling to pay, causing you to become insolvent. If this is the case, you can apply to wind up the company voluntarily.

You will need to appoint a licensed Insolvency Practitioner to do this. They will 'liquidate' any company assets, and use the proceeds to repay your creditors on a pro-rata basis.

It is important to understand that if the business is insolvent, this results in a shift in your duty of care as a director.

Instead of acting in the shareholder's best interests, you must now ensure the creditors' are repaid in full, as quickly as possible.

If you do not act in the best interest of the creditors when liquidating your company assets, you can become personally liable for the debts.



Insolvency tests

There are three methods you can use to determine if your company is insolvent:

Cash flow test

Does your company have sufficient cash to pay salaries, rent, trade creditors, VAT or taxes on time?

Balance sheet test

Does the company owe more than it owns or are the company's assets exceeded by its liabilities? If yes, the company is insolvent.

Legal action test

If a creditor has obtained a County Court Judgment against you, which may demonstrate the company's insolvency.

If you believe your company is insolvent, you should take legal advice from a qualified insolvency practitioner as soon as possible and inform your designated accountant of the outcome.



Winding up order

If a creditor obtains a statutory demand greater than £750 against your company and it remains unpaid for more than 21 days, they may petition to wind the company up and force it into liquidation.

This is a very serious position to be in.

If you find your company has been issued a winding up order then you should take legal advice from a qualified Insolvency Practitioner as a matter of urgency.

If this situation occurs you will need to update your dedicated accountant with the outcome of your meeting.



Restoring a dissolved company

Companies House are removing companies far more frequently from the register when they do not file their accounts or confirmation statements on time.

Due to this, you must respond to our automated reminders so that we can file these documents on time for you.

You can only apply to Companies House to get your company restored: if:

- ✓ You were a director or shareholder
- ✓ It was struck off and dissolved within the last six years
- ✓ It was trading at the time it was dissolved

If none of these situations apply to you then you'll have to get a court order to restore the company.

If you would like further advice on this please call us on 020 3355 4047.



Applying to restore a company

If you wish to restore your company, you will need to apply for administrative restoration. To do this, you will be required to send the following information to Companies House:

- ✓ A completed [administration restoration form \(RT01\)](#)
- ✓ A cheque for £468, payable to 'Companies House'
- ✓ Any outstanding documents, such as accounts or confirmation statements
- ✓ Any filing fees or penalty payments
- ✓ If your company had assets, a waiver letter [Bona Vacantia form \(BVC14\)](#)

If your application has been successful, your company will be restored as soon as the registrar sends you a confirmation letter.

If your application isn't successful you could consider forming a new company with the same company name and details.





Looking for more help with closing or restoring a limited company?

If you have any further questions simply phone us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.



Get An Instant Quote

