

# Winding up procedure

## Introduction

Closing a company is in many cases a quick and easy process. However there are various factors to consider in advance, to ensure it is dealt with in the most efficient and cost-effective manner.

## Solvent or insolvent

This guidance is for a solvent company, that is one which can settle its liabilities as they fall due.

## Dissolution or liquidation

There are two options: dissolution, which is applying to have the company struck off the Companies Register, or liquidation (members' voluntary liquidation). Striking off the company is usually the cheapest way to close it, but a company closed in this way can be restored to the register by the courts. Liquidation is carried out by an insolvency practitioner and, while costing significantly more, ensures the company is permanently closed.

## Distribution of assets on dissolution

A distribution on dissolution is usually treated as a revenue distribution for income tax. If the company has net assets of £25,000 or less, the final distribution can be treated as capital. If net assets exceed this amount, a formal liquidation is required to obtain a capital treatment for a trading company.

## Bona Vacantia

If a company is struck off before its assets have been distributed to shareholders, the undistributed property will become the property of the Crown, by virtue of Bona Vacantia. Company bank accounts should therefore be closed prior to dissolution.

## Steps to follow for dissolution of a limited company

- ❑ Decide on a date to cease trade.
- ❑ Notify interested parties, e.g. bank, insurers, contractors, suppliers, customers.
- ❑ Close the PAYE scheme, if applicable.
- ❑ Deregister from VAT, file final return, and settle any liability.
- ❑ Ensure all creditors are paid and all debts are received, including any director or shareholder loans.
- ❑ Prepare accounts to date of cessation and file with HM Revenue & Customs. Ensure any corporation tax is paid promptly.
- ❑ Withdraw all funds from company bank accounts, then close accounts.
- ❑ File striking off form (DS01) online with Companies House – assuming there are no objections the company will be formally dissolved approximately 3 months later.  
<https://find-and-update.company-information.service.gov.uk/close-a-company/>

This document has been prepared for information purposes only and does not constitute advice. All information correct as at February 2025.