



LIMITED COMPANY TAX SERIES

TAX YEAR 2026/27

LIMITED COMPANIES · CLOSING DOWN

Closing Your Company the **Tax-Efficient** Way

Strike-off or a Members Voluntary Liquidation, the £25,000 trap, and how Business Asset Disposal Relief can turn a dividend bill into a fraction of the tax. The companion to our dormant-company guide.

STRIKE-OFF
(DS01)

£13

CAPITAL LIMIT

£25_k

BADR RATE

18%

• [START HERE](#)

Two ways to close a solvent company, and why it matters

If your company is solvent, meaning it can pay everything it owes, there are two main ways to close it. A voluntary strike-off using form DS01, or a Members Voluntary Liquidation (MVL). Which one is cheaper depends almost entirely on how much cash is left in the company. Pick the wrong route and you can hand HMRC thousands more than you need to.

At a glance, the numbers that decide it

<p>STRIKE-OFF, ONLINE</p> <p>£13</p> <p>Form DS01, £18 by post</p>	<p>CAPITAL LIMIT</p> <p>£25k</p> <p>Above this, an MVL wins</p>	<p>BADR RATE</p> <p>18%</p> <p>On qualifying gains</p>	<p>DIVIDEND, TOP</p> <p>39.35%</p> <p>If taxed as income</p>
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The five sections

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BADR at 18% versus a dividend, worked · page 5
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↑ THE ONE NUMBER TO FIND FIRST
Work out how much cash and value will be left in the company after all bills, the final Corporation Tax and any wind-up costs are paid. **Under £25,000** and a strike-off is usually fine. **Well over it** and an MVL can save you serious tax. Everything in this guide turns on that figure.

🕒 What you'll need ABOUT 15 MINUTES

- 🕒 **Your latest accounts** and an estimate of cash left after all debts
- 🕒 **The shareholder split** and how long shares have been held
- 🕒 **Your other income** for the year, to see your dividend tax band

01 THE SIMPLE ROUTE

Voluntary strike-off using form DS01

For a company with little or nothing left in it, a voluntary strike-off is the simplest and cheapest way to close. You apply to Companies House on form DS01 and, once everything is settled, the company is removed from the register.

The fee is small and the paperwork is light. The catch is that a strike-off is not a formal liquidation, so the way any final cash is paid out to shareholders is treated differently once it goes over a limit (see Section 02). First, make sure you actually qualify.

WHAT IT COSTS	HOW YOU APPLY	FEE
Online	Through the Companies House online service	£13
By post	Paper form DS01, sent to Companies House	£18

Source: GOV.UK, Companies House fees (voluntary strike off) and Strike off your company from the register. Fees current at the date of this guide.

 **You can apply to strike off only if the company**

CONDITION	IN PLAIN TERMS
Has not traded	Has not traded or sold off any stock in the last 3 months
Has not changed name	Has not changed its name in the last 3 months
Is not being wound up	Is not threatened with liquidation and has no creditor agreement (such as a CVA) in place

Source: GOV.UK, Strike off your company from the register. Trading does not include settling your accounts and final liabilities.



SETTLE WITH HMRC FIRST

Before you strike off, file your final accounts and Company Tax Return and **pay the final Corporation Tax**, close the PAYE and VAT registrations, and pay off the company debts. HMRC and other creditors can object to a strike-off, and can even restore a struck-off company to chase money owed.



TELL THE PEOPLE WHO NEED TO KNOW

You must send a copy of the DS01 application to all members, creditors, employees and any other directors within 7 days. Get it wrong and the application can be rejected, or challenged later.

02 THE NUMBER THAT FLIPS YOUR TAX

The £25,000 trap on a strike-off

This is the single most expensive mistake when closing a company informally. When you strike a company off, money paid out to shareholders is treated as a capital distribution, taxed at capital gains rates, only up to £25,000 in total. Go a pound over and the whole lot is reclassified.

Under the strike-off rules, a final distribution counts as **capital** in the shareholders' hands only if the total of all such distributions does **not exceed £25,000**. That matters because a capital gain can use the annual exempt amount and, often, Business Asset Disposal Relief at a low rate. Exceed £25,000 and normal distribution treatment applies, so the **whole** amount is taxed as a dividend, as income, at up to 39.35%.

TOTAL DISTRIBUTED ON STRIKE-OFF	HOW IT IS TAXED	TOP RATE
£25,000 or less	Capital, capital gains rates, may qualify for BADR	18%*
More than £25,000	The whole amount is a dividend, taxed as income	39.35%

Source: GOV.UK, HMRC Company Taxation Manual CTM36220 (CTA10/S1030A). *BADR rate where the shareholder qualifies; otherwise the standard CGT rate applies. Dividend top rate is the additional rate for 2026/27.



IT IS A CLIFF EDGE, NOT A TAX-FREE BAND

The £25,000 is not an allowance off the top. Distribute £26,000 on a strike-off and you are not taxed as capital on the first £25,000 and a dividend on the £1,000. The **entire £26,000** is taxed as a dividend. This is exactly where an MVL earns its keep (Section 03).



A WAY TO STAY UNDER THE LINE

If you are only a little over £25,000, you may be able to draw the surplus down as salary, a pension contribution or dividends **before** you stop trading, then strike off the small remainder as capital. This needs planning while the company is still active, so take advice early.



THE TWO-YEAR CONDITION

Capital treatment on a strike-off also depends on the company being **dissolved within two years** of the distribution and its debts being dealt with. If the strike-off stalls, the favourable treatment can be lost, so do not pay out until you are confident the dissolution will complete.

03 WHERE THE REAL MONEY IS

An MVL for larger reserves, and BADR

Where more than £25,000 is left in the company, a Members Voluntary Liquidation lets the whole distribution be treated as capital, not a dividend. With Business Asset Disposal Relief the qualifying gain is taxed at just 18%.

An MVL is a formal solvent liquidation run by a licensed insolvency practitioner. It costs more than a DS01, but on a five or six-figure reserve the tax saved usually dwarfs the fee.

ROUTE	TREATMENT OF THE PAYOUT	HEADLINE RATE
MVL + BADR	Capital, qualifying gain after the £3,000 exempt amount	18%
Dividend (higher rate)	Income, above the £500 dividend allowance	35.75%
Dividend (additional rate)	Income, above the £500 dividend allowance	39.35%

Source: GOV.UK, Business Asset Disposal Relief (18% from 6 April 2026, £1m lifetime limit) and Tax on dividends (2026/27 rates and £500 allowance). CGT annual exempt amount £3,000.

 **Worked example · extracting £100,000 of reserves**

Reserves distributed to one director-shareholder	£100,000
MVL route: gain after £3,000 exempt amount	£97,000
Tax with BADR at 18%	£17,460
Dividend route: taxable after £500 allowance	£99,500
Tax as a dividend at 35.75% (higher rate)	£35,571
Tax saved by using an MVL with BADR	£18,111



CHECK YOU QUALIFY FOR BADR

BADR needs the company to be your **personal company**, broadly at least 5% of shares and votes held for at least **2 years**, with you an officer or employee. The relief is capped at a **£1 million** lifetime limit. Most owner-managed companies qualify, but confirm it before you rely on the 18% rate.



THE FIGURES ARE ILLUSTRATIVE

The example assumes one shareholder, a negligible base cost and a full BADR claim, and ignores the liquidator fee. Your own tax band and shareholdings will change the numbers.

04 A RULE TO PLAN AROUND, NOT FEAR

The TAAR: do not wind up and restart

There is one anti-avoidance rule to keep in mind. The Targeted Anti-Avoidance Rule (TAAR) stops people winding a company up to take cash out as capital, then carrying on the same trade. Trip it and the whole distribution is taxed as income, a dividend, instead of capital.

The TAAR is aimed at “phoenixism”, repeatedly closing and reopening a company to convert dividends into lower-taxed capital. It is a warning, not a trap to fear if you are genuinely closing for good, but it pays to know the four conditions, because **all four** must be met for it to bite.

CONDITION	WHAT IT MEANS
A · Your stake	You held at least 5% of the company before the winding up
B · Close company	It was a close company at some point in the 2 years before wind-up
C · The 2-year test	Within 2 years of the distribution you carry on, or are involved with, the same or a similar trade or activity
D · Main purpose	It is reasonable to assume a main purpose of the wind-up was to avoid or reduce Income Tax

Source: GOV.UK, HMRC Company Taxation Manual CTM36300 onwards (CTA10/S396B and S404A). All four conditions must be met for the distribution to be taxed as income.



IN PRACTICE

If you close your company and within two years start trading again doing much the same thing, expect HMRC to look at whether tax was a main purpose. If it was, your capital distribution is retaxed as a **dividend**. Genuine retirement or a real change of direction is a different matter.



HOW TO STAY ON THE RIGHT SIDE OF IT

Keep clear evidence of **why** you are closing, for example retirement, ill health, or moving to employment. If you may trade again, wait beyond the two years, or take advice before you wind up. There is no formal clearance, so the commercial story behind the closure does the work.



IT ONLY APPLIES TO CAPITAL ROUTES

The TAAR is about distributions in a **winding up** (an MVL). A simple strike-off under the £25,000 limit is outside it, but if you are using an MVL to access capital treatment on larger reserves, the two-year rule is the one to plan around.

05 WHICH CLOSING ROUTE IS RIGHT FOR ME

The closing-route workbook

Print this page and tick along. It walks you from the cash left in the company to the right closing route, and the housekeeping to finish cleanly.

 **Work out what is left**

- Estimate **cash and value** left after all debts are paid
- Subtract the **final Corporation Tax** and any wind-up costs
- Is the leftover **£25,000 or less?** DECIDES ROUTE
- Note the **shareholder split** and how long shares were held
- Check each shareholder's **dividend tax band** this year

If under £25,000: strike-off

- Confirm **no trading or name change** in the last 3 months
- File **final accounts** and Company Tax Return, pay the CT
- Close **PAYE and VAT**, settle all creditors
- File **form DS01** online (£13) or by post (£18) LOW COST
- Send the application to **all members and creditors** within 7 days

If over £25,000: consider an MVL

- Confirm the company is **solvent** (can pay all it owes)
- Check you qualify for **BADR: 5%**, 2 years, officer or employee HIGH VALUE
- Compare **MVL plus BADR at 18%** with a dividend at your rate
- Appoint a **licensed insolvency practitioner** to run the MVL
- Factor in the **£1m BADR** lifetime limit across all claims

 **Before you commit**

- If restarting a **similar trade within 2 years**, review the TAAR WATCH
- Keep evidence of **why** you are closing (retirement, change)
- Make sure dissolution will **complete within 2 years** of any payout
- Keep company **records for 7 years** after closing
- Get a **second opinion** before paying anything out DO FIRST



YOUR DECISION IN ONE LINE

Little or nothing left, and not restarting? **Strike-off**. More than £25,000 left? **An MVL with BADR usually wins**. Restarting a similar trade within two years? **Take advice on the TAAR first**.

Close it the **tax-efficient** way, not the costly one

Book a free, no-obligation review and a CIMA-qualified accountant will work out strike-off versus an MVL on your actual numbers, confirm whether BADR applies, and handle the closure for you.

- ✓ A clear answer on strike-off versus an MVL for your reserves
- ✓ A BADR and £25,000-trap check, with the tax saving in pounds
- ✓ We file the DS01 or appoint the liquidator and deal with HMRC
- ✓ Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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Or call **020 8175 5145** · info@zmartly.co.uk
Mon-Fri, 9am-5pm

About this guide. Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year. This guide is general information, not advice for your specific circumstances; rates, thresholds and reliefs can change and depend on your position. Always confirm with a qualified accountant before acting. © Zmartly 2026.