

# What is a Section 110 Scheme of Arrangement?

## In a nutshell

It is a legal way of breaking up a limited company into two new limited companies or more without paying any tax.

It is often used with a Members Voluntary Liquidation ("MVL"). MVL's usually mean shareholders can receive back the assets within a company at just 10% capital gains tax.

## What actually happens?

Quite often your accountant will have recommended that you need a Licensed Insolvency Practitioner to put a company into liquidation for tax reasons. Liquidation can be a solvent liquidation and a method of distributing assets. It sounds bad because of the word liquidation but it is a very clever way of saving tax.

The accountants will also have helped you to come up with an overall strategy of how you can achieve your long term objectives for the business. One of those objectives maybe as follows:-

- to split a business into two with the same shareholders owning each new limited company because there are two or more trades within the old company.
- where there are two or more shareholders who want to go their own way so to split the business into two with different shareholders owning each new company.
- where one part of the business is to be sold and another part retained.

Your accountant will have given you tax advice on the suitability of a section 110 scheme of arrangement and any subsequent MVL and to make sure you qualify.

We prepare all of the statutory paperwork needed to achieve the reconstruction.

## What it is used for

It is typically used for when two sets of shareholders have fallen out and have different ideas of how to take the business forward or a company containing a safe trade and a riskier trade. A good example of a reason for using a section 110 scheme is for a property owning company that acts as a landlord which is also a property development company. These two types of trade have very different risk profiles and they can be separated into two without any tax charges.

## Contact Us

For further information regarding section 110 schemes please contact David Kirk on **01392 474303**, alternatively email [david@kirks.co.uk](mailto:david@kirks.co.uk) for more information.

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