

## Closing down your contracting limited company

You may have decided to close your company because you are thinking about [returning back to permanent work from contracting](#), or perhaps [moving from a limited company to an umbrella solution](#) to reduce the hassle and get better tax breaks.

This article discusses the steps you need to take in order to close it down.

### Initial Considerations

Closing down your company incurs time and additional expense. It is only worth considering if you do not believe you will need to use it again.

It is inefficient to open and close companies frequently compared to joining and leaving umbrella companies.

If you are dipping in and out the contract market then the umbrella option is probably a better route for you. We discuss this more in the article '[Limited Company or Umbrella – Deciding on a payment structure](#)'.

If you are unsure whether you need to use your company again it would be advisable to leave the company in a [dormant company](#) state until you are absolutely sure you will no longer need it.

If you do decide to close your account then the follow steps will need to be taken.

#### Step 1: Prepare final accounts

Final trading accounts must be prepared covering the period from the last annual accounts to the final date of trading. These must be submitted to HMRC, together with the corporation tax computation and Company Tax Return (form CT600).

HMRC should be advised that these are the final trading accounts and that the company will shortly be dissolved. They will issue their final assessment and the final balance of corporation tax should be paid without delay, in order to avoid the inspector of taxes objecting to the striking off.

#### Step 2: Close down the corporation tax scheme

Following the settlement of the final corporation tax liability, HMRC should be asked to close down the corporation tax scheme they have for the company.

#### Step 3: Payroll matters

The payroll Inspector of Taxes should be advised that the company has ceased trading and will shortly be dissolved. They will issue a final Employer's Annual Return (form P35), which should be completed without delay.

Any final balance of PAYE/NIC should be paid, following which HMRC should be requested to close down the payroll scheme.

#### Step 4: VAT registration.

HMRC should be advised that the company has ceased trading and should be deregistered for [VAT](#).

They will issue a standard questionnaire which should be completed and returned to them. Upon receipt they will issue a final VAT return. This should be completed in the usual way and should account for the final disposal of any fixed assets/ trading stock if appropriate.

#### Step 5: Application to Companies House

After the company has ceased trading for three months, a [Companies House form DS01](#) should be completed and forwarded to Companies House, together with a cheque for £10 for their dissolution fee.

Companies House will then advertise the company in the London Gazette and following a period of up to nine months, the company will be dissolved, following which it ceases to exist.

Care should be taken to ensure that on the date of dissolution, there is no money in the company bank account or other assets held in the company's name, since bank accounts may be frozen and the sums transferred to the Treasury Solicitor acting for the Crown.

#### Step 6: Final Dividend

“ leave the company in a dormant state until you are absolutely sure you will no longer need it ”

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A final [dividend](#)/capital distribution should be calculated for final distribution to the shareholders, which should be paid after all other transactions have been completed, e.g. final payments of corporation tax, VAT, PAYE, etc., but prior to the date of dissolution by Companies House.

### Who can help?


The above procedures can be dealt with either by your accountant or yourself on the assumption that the company is not insolvent, in which case you may need to consider appointing a liquidator.

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