Newman & Partners
Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Writing off HMRC tax debts – Understanding the role of insolvency

HMRC remains the largest single creditor in the majority of company insolvencies we see and the scale of the problem is significant. HMRC's total outstanding tax debt stood at £42.8 billion as of March 2025, with more than 913,000 taxpayers already on Time to Pay arrangements.

For many directors, the story starts small. A missed VAT quarter, a delayed PAYE payment or a Corporation Tax bill rolled into the next one that allows small debts to build. By the time it becomes unmanageable, the total is often far larger than anyone expected.

A question we hear constantly from accountants on behalf of their clients is whether HMRC debt can simply be written off. The short answer is that HMRC does not write off tax debts because a business is struggling. Outside a formal insolvency process, the debt stays exactly where it is, interest and penalties included.

Time to Pay does not reduce the debt

As you know, a Time to Pay arrangement can spread arrears over a manageable period, usually up to twelve months and it can take pressure off cash flow in the short term. What it does not do is reduce the amount owed.

Every pound still needs to be repaid. Where the underlying problem is not short-term cash flow but a structural inability to meet the tax bill, a TTP arrangement often just delays a harder conversation in future.

Where formal insolvency changes the picture

A Company Voluntary Arrangement (CVA) allows a company to keep trading while repaying only a proportion of what it owes to unsecured creditors, HMRC included, typically over three to five years. HMRC will generally support a CVA where the proposal shows the business is viable and creditors would receive more than they would in a liquidation.

Any debt still outstanding once the arrangement completes can then be written off. Approval requires at least 75 per cent of creditors by value to vote in favour, so early engagement with HMRC and a realistic proposal both matter.

Where the business is no longer viable, a Creditors' Voluntary Liquidation (CVL) is usually the appropriate route. The liquidator realises the company's assets and distributes the proceeds to creditors in strict order of priority.

Any HMRC debt that cannot be met from those proceeds remains with the company and once the company is dissolved, that debt effectively disappears with it. It is not technically written off in the way a CVA balance is, but for a client with no continuing business the practical effect is the same.

Personal exposure risk

Directors are usually protected from personal liability for company tax debts by the limited company structure and that protection holds through a CVL in most cases.

It can fall away where a director has signed a personal guarantee, has been issued a Personal Liability Notice by HMRC or continued trading while knowing the company could not meet its liabilities.

Where an overdrawn director's loan account sits alongside HMRC arrears, that combination is worth flagging early, since it tends to attract closer scrutiny.

If you have clients with mounting HMRC arrears, particularly VAT or PAYE debt that has been building quietly over several quarters, the earlier we are involved the wider the range of options available. Please speak to our team before HMRC forces the issue rather than after.

MVLs – The tax benefit and more

Members' Voluntary Liquidations have long been one of the more tax efficient ways for directors to close a solvent company and the route remains popular even after two successive increases to the headline relief. Business Asset Disposal Relief, which reduces the Capital Gains Tax rate on qualifying distributions, rose from 10 per cent to 14 per cent in April 2025 and increased again to 18 per cent in April 2026. Directors who were watching the clock to lock in the lower rate have largely already acted, but for clients now considering an MVL, the relief is still valuable.

The 18 per cent rate on qualifying gains, up to a lifetime limit of £1 million, remains considerably lower than the standard higher rate of Income Tax that would otherwise apply to a large dividend. For a shareholder extracting significant retained profits, the difference between capital treatment and income treatment is still the single biggest lever available when a company reaches the end of its useful life.

Who actually qualifies?

BADR is not automatic. Shareholders need to have held at least five per cent of the ordinary shares and voting rights and to have been a director or employee of the company, for a continuous period of 24 months before the distribution. The company must have been a trading company throughout that period.

Miss any one of these conditions and the distribution falls back to standard Capital Gains Tax rates, so it is worth reviewing shareholder eligibility well before the liquidation begins rather than assuming it will fall into place.

The £25,000 threshold

Not every solvent closure needs a formal MVL. Where distributable reserves sit at £25,000 or below, HMRC will treat the proceeds as capital even on a simple strike off, so the cost of appointing a licensed insolvency practitioner may not be justified.

Above that figure, the position reverses. A strike off risks having the surplus treated as income and an MVL becomes the more tax efficient route almost by default.

More than a tax exercise

The tax treatment tends to dominate conversations with clients, but an MVL does more than reduce a CGT bill. It gives a company a clean, formal end.

A licensed insolvency practitioner settles all creditors, deals with the final corporation tax and VAT position and distributes any remaining assets, including in specie transfers of property or equipment where a sale would be impractical or reduce value. Directors are left with proper closure rather than a dormant company sitting on the register.

Clients should also be aware of the Targeted Anti-Avoidance Rule. Where a shareholder starts a similar trade or activity within two years of the distribution, HMRC can reclassify what looked like a capital gain as income, removing the tax advantage retrospectively. This catches out directors more often than it should, usually because the new venture felt different enough at the time that nobody thought to check.

Why timing still matters

The MVL process itself, from appointment through to the first distribution, typically takes several weeks, so it pays to build in time rather than leave the decision until a client is already set on a completion date.

If you have clients weighing up retirement, restructuring or simply winding down a company that has served its purpose, please get in touch and we can talk through whether an MVL is the right fit.

Managing commercial rent arrears

The relationship between landlord and tenant has been under sustained pressure across retail, hospitality and leisure. In 2025 and 2026 we have seen a genuine return of restructurings targeting leasehold liabilities. High Court backed restructuring plans and CVAs for household names including Poundland, River Island, Poundstretcher, Hobbycraft, Claire's and a run of food and beverage operators have all stripped rent out of the equation for landlords, sometimes at scale. For a period, this kind of activity had become rare, but now it seems to be back.

England and Wales recorded 23,938 company insolvencies in 2025, including 1,961 in retail alone and 3,728 across wholesale and retail combined. Rising labour costs, higher employer National Insurance and the April 2026 business rates revaluation, which has pushed rateable values up by as much as 400 per cent for some operators, are adding fresh pressure on top of arrears that had already built up.

For landlords and tenants alike, understanding the tools available matters more than ever.

Commercial Rent Arrears Recovery remains the main lever for landlords

Commercial Rent Arrears Recovery (CRAR) lets a landlord instruct a certificated enforcement agent to take control of a tenant's goods without going to court, provided several conditions are met.

The lease must be wholly commercial and in writing, at least seven days' rent must be outstanding both when notice is served and when goods are seized and the tenant must still be in occupation.

CRAR only covers pure rent, VAT and interest. Service charges, insurance and other sums due under the lease fall outside it and have to be pursued separately through the County Court.

A Notice of Enforcement giving the tenant at least seven clear days before an agent can attend must be served first. Landlords should also be aware that using CRAR affirms the lease.

Taking control of goods for a specific period of arrears waives the right to forfeit for that same period, so the two remedies do not sit comfortably together and the choice between them needs thinking through before either is used.

Insolvency changes what a landlord can do

Where a tenant has already entered a formal insolvency process, the position shifts considerably. A moratorium in administration prevents CRAR from being used at all and landlords who might otherwise have moved quickly to recover arrears instead find themselves treated as a creditor within the insolvency process.

Checking whether a Notice of Intention to Appoint Administrators has been filed before triggering CRAR is a step worth building into any recovery process, since acting after the fact can waste time and cost.

What a CVA or restructuring plan can do to rent

For tenants, a CVA or restructuring plan can compromise both rent arrears and future rent, sometimes reducing it below market rate, switching it to a turnover basis or removing it entirely at underperforming sites.

This is precisely what has driven the recent wave of retail restructurings and it explains why landlords are watching the sector so closely again.

A proposal is not automatically unfair to landlords provided they receive at least as much as they would in the relevant alternative, usually administration or liquidation and are given a right to terminate the lease if the terms do not work for them.

Supporting clients on either side

If you act for a landlord client facing arrears, an early conversation about whether CRAR, forfeiture or a negotiated payment plan is the right tool can prevent a costly misstep.

If you act for a tenant client whose lease portfolio has become unaffordable, restructuring options exist well before insolvency becomes the only path.

Either way, the earlier advice is sought, the more options remain on the table. Please get in touch if you or your clients need support navigating rent arrears.

CAREFUL CONSIDERATION IS NEEDED BEFORE TAKING OUT ANY FORM OF FINANCE AND SPECIALIST ADVICE SHOULD BE SOUGHT. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT US.

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