# UK entrepreneurs rush to liquidate viable businesses ahead of tax hikes



The landscape for UK businesses has shifted dramatically as the number of entrepreneurs voluntarily shutting down viable companies has surged to its highest level since the pandemic. According to recent data from Companies House, the 2024-25 tax year saw 12,602 solvent businesses choose to enter members' voluntary liquidation (MVL), marking the second highest rate recorded, just behind the 14,929 liquidations during the pandemic peak of 2020-21. This increase is attributed primarily to rising tax rates, particularly those affecting Business Asset Disposal Relief (BADR), which are prompting many business owners to reevaluate their options.

The financial strains on businesses are becoming increasingly pronounced. The Chancellor of the Exchequer, Rachel Reeves, announced significant tax increases in her recent Budget, projected to raise £40 billion annually. This includes a tax hike on business asset disposal, which will increase from 10% to 14% in April 2025, and again to 18% in April 2026. These changes are pushing many entrepreneurs to act swiftly in order to take advantage of the lower current rates before they rise. Tax advisers have reported a marked rise in inquiries as business owners rush to liquidate, with many having significant growth potential but feeling pressured by both tax increases and broader economic uncertainty.

Speaking to the Financial Times, Elizabeth Bradley, a partner at law firm BCLP, noted, “We have seen a flood of inquiries from business owners looking to sell before the April tax rises.” Similarly, Michelle Denny-West from Moore Kingston Smith remarked on the mood of apprehension among her clients, stating that the expectation of further tax increases has led many to “cash in their chips” while they can still benefit from current tax reliefs.

Beyond the immediate tax implications, various economic factors are contributing to the trend of voluntary liquidations. Rising operational costs and an uncertain trading environment are proving detrimental to many enterprises. Matt Howard, head of the insolvency and recovery team at Price Bailey, commented on the intertwining issues at play, noting, “Tax rises together with economic headwinds are pushing more business owners to explore their options for taking cash out. Many are deciding to cease trading altogether.” Some entrepreneurs, facing a turbulent market landscape, have opted to retire early to avoid future tax liabilities.

Meanwhile, the response from the government highlights a tense balancing act. The Treasury has described its Budget as a necessary step towards fixing public finances and rebuilding the NHS, recognising the vital role that entrepreneurs play in stimulating economic growth. They maintain that they are offering a generous lifetime limit of £1 million on BADR, although the rising tax rates suggest a tightening fiscal approach that could stifle entrepreneurial activity.

The implications of these tax increases also extend to broader socio-economic concerns. The changes in capital gains tax, which see rates move from 20% to 24% for higher earners, reflect a targeted approach to increase revenue from wealthier individuals and corporations. Critics are wary, however, that such measures may undermine the UK’s reputation as a business-friendly environment and might drive wealth out of the country as affluent individuals seek more favourable jurisdictions.

In summary, the combination of increased tax burdens, economic uncertainty, and rising operational costs is reshaping the business landscape in the UK. As entrepreneurs seek ways to navigate these challenges, voluntary liquidations appear to be a rapidly growing option. Whether this trend will continue remains to be seen, but the current environment underscores a critical period of change for UK businesses.

### Reference Map

* Paragraph 1: [[1]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8), [[2]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8)
* Paragraph 2: [[3]](https://www.reuters.com/world/uk/view-britains-new-finance-minister-unveils-first-budget-2024-10-30/), [[4]](https://www.ft.com/content/6864f60e-ea8e-490f-801f-a07e9a1060dc), [[6]](https://www.aiaworldwide.com/news/accounting-and-finance-news/how-does-the-autumn-budget-change-members-voluntary-liquidations/)
* Paragraph 3: [[1]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8)
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* Paragraph 5: [[5]](https://www.reuters.com/world/uk/britains-reeves-targets-wealthy-foreign-income-with-big-tax-rises-2024-10-30/)
* Paragraph 6: [[4]](https://www.ft.com/content/6864f60e-ea8e-490f-801f-a07e9a1060dc), [[5]](https://www.reuters.com/world/uk/britains-reeves-targets-wealthy-foreign-income-with-big-tax-rises-2024-10-30/)
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## Bibliography

* <https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8> - Please view link - unable to able to access data
* <https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8> - In the 2024-25 tax year, the UK experienced a significant rise in voluntary business closures, with 12,602 solvent businesses opting for members' voluntary liquidations (MVLs). This figure is the second-highest on record, following the 14,929 closures during the 2020-21 pandemic period. The surge is attributed to increased tax rates, particularly the rise in Business Asset Disposal Relief (BADR) from 10% to 14% in April 2025, and a further increase to 18% in April 2026. Tax advisers report a surge in inquiries from business owners seeking to liquidate before these hikes take effect, citing economic uncertainty and higher operational costs as contributing factors. The Treasury acknowledges the essential role of entrepreneurs in boosting economic growth and maintains a £1 million lifetime limit on BADR to support them. ([ft.com](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8?utm_source=openai))
* <https://www.reuters.com/world/uk/view-britains-new-finance-minister-unveils-first-budget-2024-10-30/> - UK Finance Minister Rachel Reeves unveiled a £40 billion annual tax increase in her first Labour budget, primarily targeting businesses to address a £22 billion fiscal deficit. The measures include significant tax hikes on investments, estates, foreign income, private jets, and private education. Market reactions were mixed, with a session low in 10-year gilt yields at around 4.21% and sterling rising to $1.3021. Industry leaders noted the substantial tax burden and modest growth projections, emphasizing the need for economic growth to improve public finances and avoid negative market sentiment. ([reuters.com](https://www.reuters.com/world/uk/view-britains-new-finance-minister-unveils-first-budget-2024-10-30/?utm_source=openai))
* <https://www.ft.com/content/6864f60e-ea8e-490f-801f-a07e9a1060dc> - The 2024 Autumn Budget, presented by Chancellor Rachel Reeves, introduces a significant £40 billion tax increase aimed at addressing the UK's financial issues. The measures primarily target businesses and the wealthy, with increased taxes on employment, shares, and pensions. Key changes include a 1.2 percentage point rise in employers' national insurance and a reduction in the levy threshold from £9,000 to £5,000, likely affecting wages and prices. Capital gains tax rates will increase, affecting investors, with changes to reliefs impacting small business owners and entrepreneurs. Additionally, pension inheritance tax will be introduced from 2027, potentially affecting retirement savers' plans. The non-dom regime will be abolished, replaced by a new residence-based system over four years. Property investors will face a higher stamp duty surcharge on second homes, potentially limiting rental property supply, while first-time buyers may benefit from the expiry of a stamp duty exemption scheme. The budget also includes restrictions on tenants' right to buy social housing, supported by some campaigners but criticized for potentially oversimplifying housing market dynamics. ([ft.com](https://www.ft.com/content/6864f60e-ea8e-490f-801f-a07e9a1060dc?utm_source=openai))
* <https://www.reuters.com/world/uk/britains-reeves-targets-wealthy-foreign-income-with-big-tax-rises-2024-10-30/> - British finance minister Rachel Reeves announced significant tax hikes on the wealthy in her first annual budget. The measures target investments, estates, foreign income, private jets, and private education, including raising capital gains tax to 24% from 20% for higher earners and increasing the capital gains tax on private equity performance fees to 32%. These reforms aim to generate at least £35 billion by the end of the decade to fund public services without harming the economy. While Labour politicians support the move to avoid cuts affecting the poorest, critics argue it could threaten Britain's business-friendly reputation and lead to a wealthy exodus. Reeves also plans to close inheritance tax loopholes and increase tax on non-domiciled residents' foreign income after four years. Public opinion generally favors taxing the rich more, with over half supporting such measures. ([reuters.com](https://www.reuters.com/world/uk/britains-reeves-targets-wealthy-foreign-income-with-big-tax-rises-2024-10-30/?utm_source=openai))
* <https://www.aiaworldwide.com/news/accounting-and-finance-news/how-does-the-autumn-budget-change-members-voluntary-liquidations/> - The Autumn Budget introduced significant tax hikes, including key changes to Capital Gains Tax (CGT) and Business Asset Disposal Relief (BADR). CGT rates increased from 10% to 18% for lower-rate taxpayers and from 20% to 24% for higher-rate taxpayers, effective from 30 October 2024. BADR rates will remain at 10% for the current financial year, rising to 14% from 6 April 2025 and to 18% from 6 April 2026. These changes impact company directors considering solvent liquidations, as the tax rules have changed following the Autumn Budget. ([aiaworldwide.com](https://www.aiaworldwide.com/news/accounting-and-finance-news/how-does-the-autumn-budget-change-members-voluntary-liquidations/?utm_source=openai))
* <https://www.wilsonfield.co.uk/autumn-budget-2024-impacts-members-voluntary-liquidations-mvls/> - The Autumn Budget announced increases in Capital Gains Tax (CGT) and Business Asset Disposal Relief (BADR) rates. CGT rates increased from 10% to 18% for lower-rate taxpayers and from 20% to 24% for higher-rate taxpayers, effective from 30 October 2024. BADR rates will remain at 10% for the rest of the financial year, rising to 14% in April 2025 and to 18% in April 2026. Company directors considering closing a solvent limited company through a Members’ Voluntary Liquidation (MVL) should recalculate their estimated tax liability due to these changes. ([wilsonfield.co.uk](https://www.wilsonfield.co.uk/autumn-budget-2024-impacts-members-voluntary-liquidations-mvls/?utm_source=openai))