



Ceasing to trade

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In some circumstances, you may need to stop trading. This fact sheet is designed to help you when you are closing down your business.

Use this fact sheet to:

- understand how to cease trading;
- find out which organisations you are likely to need to contact; and
- find out where you can get further information to help you.

This fact sheet includes some useful contacts and links for you to get further help. The sample letter mentioned in this fact sheet can be filled in on our [website](#).

Get professional advice from your accountant or business adviser before making any significant changes to your business.

Sole traders

As a sole trader, you are personally liable for all of your business debts. This means that your home and other assets may be at risk if you stop trading and cannot pay your creditors. If you are struggling to pay your creditors, Business Debtline can advise you on the options available. **Contact us for advice.**

See our fact sheet:
Sole traders.



Partnerships

In a partnership, all partners are jointly and severally liable for each of the partnership's debts. This means that a partnership's creditor can pursue any of the partners for all or part of the debt.

If you leave a partnership, you will still be liable for the partnership's debts up to the time you leave. You must write to all the partnership's creditors and tell them that you have left. It is important that you keep a copy of any letters you send.

Warning:
liability agreements



If one partner agrees to take on sole responsibility for the debts, you will need written agreement from the creditors. If you do not have this the creditors can still pursue all partners for the debt.



If the whole partnership ceases to trade, you must still tell the partnership's creditors. If one partner continues in the same business as a sole trader, and the partnership creditors have not been informed, the partners can still be held liable for any debts that are built up later on. If you are struggling to pay the partnership's creditors, or are having problems dealing with them, **contact us for advice**.

A partnership will automatically be dissolved (formally closed) if one or more of the partners are declared bankrupt. **Contact us for advice**.

See our fact sheet:
Partnerships.



Extra advice:
**dissolving your
partnership**



If you do cease trading, you may want to formally dissolve your partnership. Any partner can dissolve a partnership by giving a 'notice of dissolution'. **Contact us for advice**.

Limited companies

A limited company is a separate legal entity from its directors and shareholders. Your company may need to cease trading if it is insolvent. 'Insolvent' means that:

- your company cannot meet its debts as they fall due; **or**
- the value of your company's assets is less than the total debt that it owes; **or**
- your company cannot meet its debts as they fall due and has assets worth less than the total that it owes.

As a director or shareholder of a limited company, you cannot be held liable for the debts of the company unless you have signed a personal or director's guarantee.

The method you use to formally close your limited company depends on whether your company has enough money or assets to appoint an insolvency practitioner. **Contact us for advice**.

See our fact sheet:
Limited companies.



Limited liability partnerships (LLPs)

A limited liability partnership (LLP) is a separate legal entity from its 'members' and 'designated members'. An LLP must have two or more partners and two formally appointed designated members at all times.

Your LLP may need to cease trading if it is insolvent. 'Insolvent' means that:

- your LLP cannot meet its debts as they fall due; **or**



- the value of your LLP's assets is less than the total debt that it owes; **or**
- your LLP cannot meet its debts as they fall due and has assets worth less than the total that it owes.

As a member or designated member of an LLP, you cannot be held liable for the debts of the LLP unless you have signed a personal guarantee.

The method you use to formally close your LLP depends on whether your LLP has enough money or assets to appoint an insolvency practitioner. **Contact us for advice.**

Information: designated member

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A designated member has extra responsibilities in an LLP. These include making sure the LLP's accounts are delivered on time. They can be held legally responsible if this is not done.

Things to consider

If you are ceasing to trade you will need to do some, or all, of the things described in the following sections.

Inform HM Revenue & Customs (HMRC)

Write to HMRC and inform them that you have ceased trading.

You will need to complete a final tax return for income tax. You cannot normally do this until the **5 April** following the date you cease trading. You should also review the 'payments on account' you are due to pay. You may be able to ask for them to be changed now that you have ceased trading.

See our fact sheet: Income tax debt.



For VAT you will need to de-register within 30 days of ceasing to trade. You will also need to complete a final return and, if you are a sole trader or partnership, make an arrangement to pay any VAT that is still owed.

Extra advice: keeping records



For tax purposes, records must be kept for **five years** after the **31 January** following the date you ceased trading. For example, for a tax return filed on or before **31/1/2012**, you must keep your records until **31/1/2017**.

Extra advice: Construction Industry Scheme (CIS)



If you are a subcontractor under the CIS scheme you will need to inform HMRC that you have ceased trading. You can contact the CIS helpline on **0300 200 3210**.



Business rates

Write to your local authority and tell them that you have ceased trading. If you are no longer the tenant or the occupier of a property, you may not have to pay business rates. If the property is empty you may receive a discount on the rates, if you are still liable to pay.

**See our fact sheet:
Business rates.**



Business leases

If you trade from business premises, you will need to give your landlord notice to end the lease. Check your lease agreement to see when you are able to do this. If you are tied into your lease, you may need to speak to your landlord about selling or transferring (that is, assigning) the lease to someone else. If you are unable to do this then you could be held liable for rent, and possibly business rates, for the remaining term of the lease.

**See our fact sheet:
Business property leases.**



Suppliers

Write to your suppliers and tell them you have ceased trading. Give final meter readings for utilities (for example, water, gas and electricity), and get final invoices from any other suppliers.

Creditors

Write to any other creditors and tell them that you have ceased trading. Ask them for final invoices and statements.

If you are a sole trader or partnership, you may find the [Ceasing to trade sample letter](#) helpful.

Trade debtors

Contact anyone who owes your business money to arrange payment. If you are having difficulty collecting the debts, **contact us for advice.**

**See our fact sheet:
Claims in the County Court.**



Staff

If you have employees, they may be entitled to wages, holiday pay, notice pay and redundancy pay. This depends on how long they have worked for you.

For further information, contact GOV.UK's [Redundancy payments helpline](#) on **0330 331 0020** or [The Advisory Conciliation and Arbitration Service \(ACAS\)](#) on **0300 123 1100**. Alternatively, **contact us for advice.**



Business assets

Your business may have assets such as stock, vehicles or equipment. Check if you can return some of your stock to the supplier to reduce the debt (this is known as retention of title). Consider holding a closing down sale or selling your stock to a competitor. You can also sell your stock online or at auction. Use the money you raise to clear any priority debts first.

Useful contacts

Advisory Conciliation and Arbitration Service

Phone: 0300 123 1100

www.acas.org.uk

Construction Industry Scheme

Phone: 0300 200 3210

www.gov.uk/business-tax/construction-industry-scheme

Redundancy payments helpline

Phone: 0330 331 0020

See www.gov.uk and search for Redundancy payments helpline.

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