

UK LIMITED LIABILITY PARTNERSHIP

OVERVIEW

A Limited Liability Partnership (LLP) is governed by the Limited Liability Partnerships Act of 2000.

Provided the LLP is undertaking commercial activity, it is transparent for UK tax purposes and taxation only arises at the partner level.

The primary advantage of an LLP is that it offers limited liability alongside tax neutrality with a UK image.

FORMATION

The LLP must have at least two partners and these can either be companies or individuals resident in any jurisdiction.

The LLP is registered at Companies House and an incorporation form is submitted to the Registrar stating the name of the LLP, the registered address and the names and addresses of the partners of the LLP.

The LLP can enter into contracts/agreements in its own name and not in the names of the partners.

There is also no restriction on the capital contribution/share capital of the LLP.

TAXATION

The LLP is a transparent/look through entity for UK taxation purposes; it is the partners of the LLP that are subject to taxation. If the partners are not UK resident and there is no UK source income there would be no UK taxation. The LLP will not be able to benefit under any of the

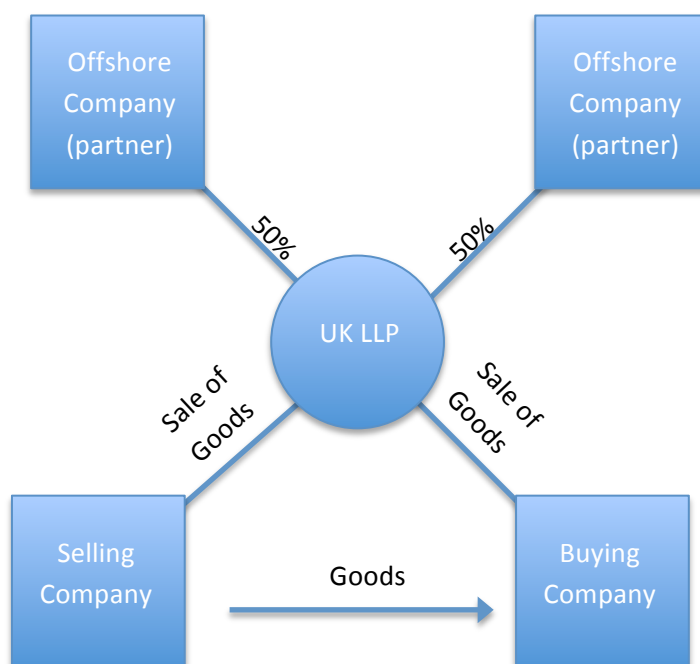
UK's double tax treaties nor will it be able to obtain a certificate of tax residency from HMRC however it is able to distribute profits to its partners without suffering any withholding tax.

The LLP can register for VAT in its own name and not in the name of the partners.

ACCOUNTING

An LLP is subject to the same reporting obligations as a UK limited company. It has to prepare and file an annual return when filing its financial accounts with Companies House. The LLP must declare its full turnover in its financial accounts. Whether an audit of the accounts is required will depend on the size of the LLP and in particular the level of turnover, number of employees and the net asset value.

Below is a typical LLP structure with offshore companies being used as partners however the partners can be located in any jurisdiction or can be individuals.



CONCLUSION

The LLP has an onshore image but is effectively a tax free entity provided that the partners are located in offshore jurisdictions. It is a flexible entity and can be used for any commercial activity.

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