

INFORMATION SHEET

Limited Liability Partnerships

KEY FACTS

What is an LLP?

UK Limited Liability Partnerships (LLP) are subject to the LLP Act and is a unique hybrid entity. An LLP is a separate legal entity and, while the LLP itself will be liable for the full extent of its assets, the liability of the members is limited.

What is the Tax Treatment of an LLP?

An LLP has all the functionality of a Private Limited Company but is taxed as you would a Partnership. The internal structure of the LLP is similar to that of a partnership in that the members provide working capital and share any profits. The income and capital gains are treated as income attributable to the members and is therefore taxed at the membership level as opposed to the corporate entity level.

What are the statutory requirements of an LLP?

The members can be given full powers of management over the LLP's operations by way of Designated Members. An LLP must have at least two members which may be bodies corporate and may be resident anywhere in the world (e.g. in an offshore jurisdiction). An LLP Agreement, which acts as the Constitution of the LLP, must be in place between all Members and the LLP is obliged to file statutory year end accounts and an Annual Return with the relevant authorities.

KEY BENEFITS

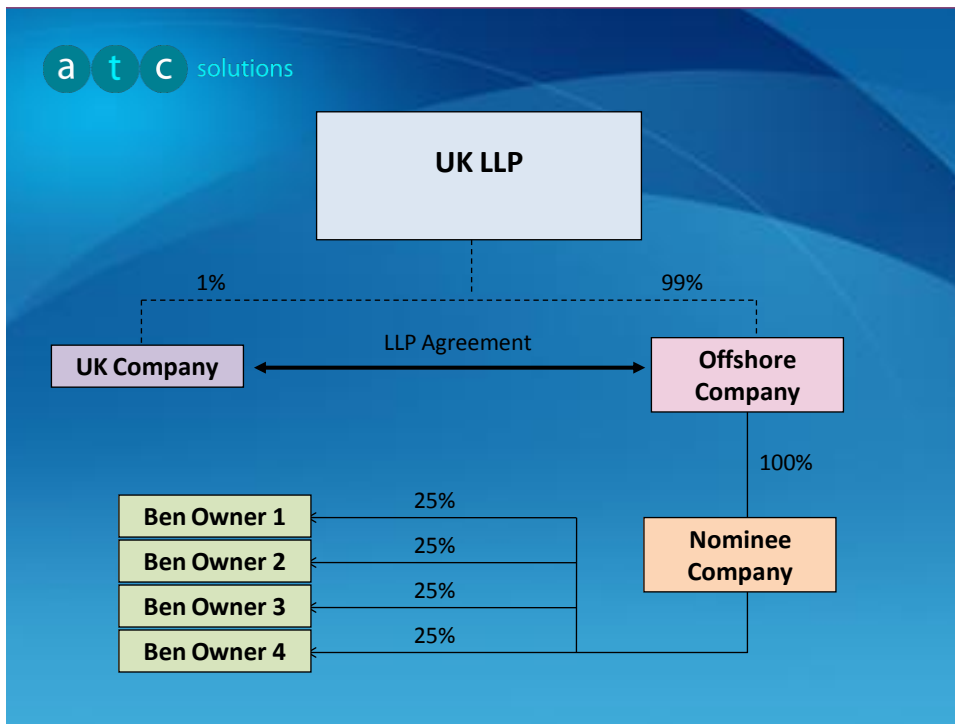
1. As the LLP is taxed at the membership level if the LLP's trade is conducted outside the UK, there will be no UK Tax exposure levied against the proportion held by non-UK members on the LLP's trading profits. Therefore a member incorporated in a suitable offshore jurisdiction could pay little to no tax.
2. Income derived by the members from the LLP will be closer to that of a partnership than to the dividends paid by companies and there are no withholding taxes.
3. An LLP, with the appropriate members and corporate structure can offer complete confidentiality for clients.
4. A UK LLP benefits from the inherent trust in and stability of the United Kingdom.
5. Each member has limited liability.

CASE STUDY

A UK LLP has two members. One member is a UK private company limited by shares holding a 1% share in the LLP. The second member is based offshore and holds a 99% share in the LLP. The second member for client confidentiality is owned on a nominee basis for four beneficial owners who non-resident and non-domiciled in the UK.

The purpose of the UK LLP is to purchase cashmere products from Mongolia to sell in the US. The goods are sourced from Mongolia and supplied to the US buyer and paid for accordingly from outside the United Kingdom.

As there is no UK sourced income, 99% of the profits attributable to the non-UK member would be subject to tax in their respective offshore jurisdiction and the remaining 1% attributable to the UK resident member would be taxed in the UK at current rates after deduction of business expenses.



OUR SERVICES

ATC can provide a full range of professional services to LLPs including:

- Incorporation
- Drafting of LLP agreements
- Registered office and secretarial services
- Acting as UK tax agent
- Statutory accounting services
- UK tax advice
- Formation and administration of offshore corporate members of the LLP

We direct you to our website www.atcsolutions.com for more information on the services we can provide. Should you wish to discuss your requirements on a strictly confidential and non-obligatory basis or simply require additional information, please contact our Managing Partner; Mike Conroy FCCA CTA at mike@atcsolutions.com or on + 44 (0) 20 7873 2396.