

# Limited Liability Partnerships

Since its inception the United Kingdom Limited Liability Partnership (LLP) has become a popular corporate body for carrying on business activity in the UK. This is mainly due to the flexibility that can be built into the LLP agreement and its UK tax transparency.

## International business

International businesses that wish to carry on business in zero or low tax jurisdictions can use the LLP's UK tax transparency to their advantage. However, members of the LLP would need to consider the tax regime of their home jurisdiction, and if business were to be carried on in the UK through a permanent establishment, then a UK tax presence and liability would arise. A UK-registered LLP which does not carry on business in the UK cannot take advantage of the UK's wide double tax treaty network or, indeed, obtain certificates of tax residency from the UK tax authorities.

## Structure of a UK LLP

A UK LLP must have at least two designated members. All members' powers are governed by a members' agreement, which can be as complex

or as simple as required. Either way it is effectively the rules by which the members are bound and should therefore include all restrictions and requirements that are considered commercially desirable.

## Audit requirements

The members of an LLP are obliged to prepare full statutory financial statements for each financial year of the LLP. These accounts, together with a copy of the auditor's report (where applicable), must be delivered to the Registrar of Companies. The accounts will then be in the public domain and open to inspection.

LLPs that are regarded as small are exempt from an audit requirement. To qualify as a small LLP, gross assets must not exceed £3.26 million while turnover cannot be more than £6.5 million. In addition, if the LLP is part of a group then other members of the group can cause the LLP to be subject to an audit dependent on turnover or certain regulated activity or where a public company is a member. It should be noted that even where an audit is not required, members are still required to prepare and file true and fair accounts.

## Summary

In a world where there is a move towards global business and virtual offices, the UK LLP may offer the ideal solution of stable and respected commercial and intellectual property law, which also allows for tax mitigation.

Kingston Smith is happy to advise on all aspects of a UK LLP and, through KSI, our international association of independent firms, we can offer local tax advice in your home jurisdiction.



## Contact us

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