

Partnerships

Limited Liability Partnerships LLPs

The **Limited Liability Partnership Act 2000** is a form of a limited company to restrict the liability of partners. The partnership has to file Annual accounts and Returns with the Registrar of Companies, and the partnership is a separate legal entity (see also LLP Regulations 2001).

This is a recent change to the format of a partnership, and as such has not been taken up by many traditional partnership set ups.

The main differences between a limited company and an LLP are that a limited liability partnership has the organisational flexibility of a partnership and is taxed as a partnership. In other respects it is very similar to a company.

Companies House hold regular seminars on LLPs and details of when these are can be found at

<http://www.companieshouse.gov.uk/about/libLimSem.shtml>

The Act allows for two or more persons associated for carrying on a lawful business, with a view to profit, to form a limited liability partnership by subscribing to its incorporation document - Form LLP 2. (In law, 'person' includes individuals and companies.) However, limited liability partnerships are not available for all activities, such as non-profit-making activities.

Form LLP2 can be found at

<http://www.companieshouse.gov.uk/about/gbhtml/gblp1.shtml>

The Form LLP2 includes a statement of compliance that must be signed by a solicitor or a proposed member. Whoever signs the statement must indicate in what capacity they are signing the form. All members and designated members must sign and date the incorporation document to confirm their consent.

Limited Liability Partnerships have to have an audit, subject to the [audit exemptions limits of Limited Companies](#)

Partners will pay up to 40% tax on the whole of any profits made regardless of whether those profits are drawn.

The Consultative Committee of Accountancy Bodies (CCAB) published a revised Statement of Recommended Practice (SORP) for LLPs in September 2005.

There are number of changes proposed including:

- Capital contributions by members will be shown as debt rather than as part of the partnership equity (as previously).
- The partners' profit share at each year end will be charged as an expense in the profit and loss account, unless the LLP has a right to withhold payment.
- If there are any post retirement payments due to members, they must be accrued as a liability during the period of service.