

**EXPLANATORY MEMORANDUM TO THE HOUSE OF LORDS SELECT  
COMMITTEE ON THE MERITS OF STATUTORY INSTRUMENTS**

**LIMITED LIABILITY PARTNERSHIPS REGULATIONS (NORTHERN  
IRELAND) 2004 No. 307**

1.1 This explanatory memorandum has been prepared by the Department of Enterprise, Trade and Investment and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the House of Lords Select Committee on the Merits of Statutory Instruments.

**2. Description**

2.1 The Regulations regulate limited liability partnerships (LLPs) by applying to them, with appropriate modifications, provisions of existing law relating to companies and partnerships.

2.2 The Regulations are made under powers conferred on the Department of Enterprise, Trade and Investment by sections 10, 11, 12 and 13 of the Limited Liability Partnerships Act (Northern Ireland) 2002 (2002 c.12 (N.I.))("the Act").

**3. Matters of Special Interest to the Select Committee**

3.1 None.

**4. Legislative background**

4.1 The Act enables all businesses of two or more members in Northern Ireland to incorporate with limited liability whilst organising themselves as partnerships, not companies.

4.2 The statutory rule is the first to be made under the powers conferred by the Act. During the current period of suspension of the Northern Ireland Assembly this statutory rule is subject to annulment in pursuance of a resolution of either House of Parliament in like manner as a statutory instrument (see paragraph 7(3) of the Schedule to the Northern Ireland Act 2000, c.1).

**5. Extent**

5.1 These Regulations apply to Northern Ireland only. The corresponding Great Britain Regulations are the Limited Liability Partnerships Regulations 2001, S.I. 2001/1090.

- 5.2 The Regulations had to await the introduction of insolvency provisions in Northern Ireland which came into effect in February 2004. They have no EU implications.

## **6. European Convention on Human Rights**

- 6.1 Barry Gardiner, MP, Minister for Enterprise, Trade and Investment has made the following statement under section 19(1)(a) of the Human Rights Act 1998 (c.42): "In my view, the provisions of the Limited Liability Partnerships Regulations (Northern Ireland) 2004 are compatible with the Convention rights".

## **7. Policy Background**

- 7.1 Under current legislation in Northern Ireland, people who wish to take an active part in the business they own, while limiting their personal liability for the debts of that business, have to organise as a company.
- 7.2 The Limited Liability Partnership (LLP) concept offers an alternative option. LLPs provide a practical way to organise a business, retaining the benefits of the partnership structure, while protecting the personal assets of a partner for claims against which they have no personal responsibility. Such benefits include the practice of distributing profits to members annually and the partnership basis of taxation. In return for these benefits, the LLP is regulated by company law and associated insolvency provisions, modified as appropriate and applied to them, by the Regulations.
- 7.3 A consultation process was carried out from October 2001 until January 2002. Respondents did not identify any negative impacts arising from the proposed legislation.

## **8. Impact**

- 8.4 A Regulatory Impact Assessment has not been prepared for these Regulations as they have no impact on business, charities or voluntary bodies.
- 8.5 There is a small impact on the public sector in that LLPs will be registered and regulated by the registrar of companies. This will be offset by fees charged for functions of the registrar.

## **Contact**

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