



Limited Liability Partnerships Act 2000

2000 CHAPTER 12

Introductory

1 Limited liability partnerships

- (1) There shall be a new form of legal entity to be known as a limited liability partnership.
- (2) A limited liability partnership is a body corporate (with legal personality separate from that of its members) which is formed by being incorporated under this Act; and—
 - (a) in the following provisions of this Act (except in the phrase “oversea limited liability partnership”), and
 - (b) in any other enactment (except where provision is made to the contrary or the context otherwise requires),references to a limited liability partnership are to such a body corporate.
- (3) A limited liability partnership has unlimited capacity.
- (4) The members of a limited liability partnership have such liability to contribute to its assets in the event of its being wound up as is provided for by virtue of this Act.
- (5) Accordingly, except as far as otherwise provided by this Act or any other enactment, the law relating to partnerships does not apply to a limited liability partnership.
- (6) The Schedule (which makes provision about the names and registered offices of limited liability partnerships) has effect.

Incorporation

2 Incorporation document etc

- (1) For a limited liability partnership to be incorporated—
 - (a) two or more persons associated for carrying on a lawful business with a view to profit must have subscribed their names to an incorporation document,
 - (b) there must have been delivered to the registrar either the incorporation document or a copy authenticated in a manner approved by him, and

- (c) there must have been so delivered a statement in a form approved by the registrar, made by either a solicitor engaged in the formation of the limited liability partnership or anyone who subscribed his name to the incorporation document, that the requirement imposed by paragraph (a) has been complied with.
- (2) The incorporation document must—
- (a) be in a form approved by the registrar (or as near to such a form as circumstances allow),
 - (b) state the name of the limited liability partnership,
 - (c) state whether the registered office of the limited liability partnership is to be situated in England and Wales, in Wales or in Scotland,
 - (d) state the address of that registered office,
 - (e) state the name and address of each of the persons who are to be members of the limited liability partnership on incorporation, and
 - (f) either specify which of those persons are to be designated members or state that every person who from time to time is a member of the limited liability partnership is a designated member.
- (3) If a person makes a false statement under subsection (1)(c) which he—
- (a) knows to be false, or
 - (b) does not believe to be true,
- he commits an offence.
- (4) A person guilty of an offence under subsection (3) is liable—
- (a) on summary conviction, to imprisonment for a period not exceeding six months or a fine not exceeding the statutory maximum, or to both, or
 - (b) on conviction on indictment, to imprisonment for a period not exceeding two years or a fine, or to both.

3 Incorporation by registration

- (1) When the requirements imposed by paragraphs (b) and (c) of subsection (1) of section 2 have been complied with, the registrar shall retain the incorporation document or copy delivered to him and, unless the requirement imposed by paragraph (a) of that subsection has not been complied with, he shall—
- (a) register the incorporation document or copy, and
 - (b) give a certificate that the limited liability partnership is incorporated by the name specified in the incorporation document.
- (2) The registrar may accept the statement delivered under paragraph (c) of subsection (1) of section 2 as sufficient evidence that the requirement imposed by paragraph (a) of that subsection has been complied with.
- (3) The certificate shall either be signed by the registrar or be authenticated by his official seal.
- (4) The certificate is conclusive evidence that the requirements of section 2 are complied with and that the limited liability partnership is incorporated by the name specified in the incorporation document.

Membership

4 Members

- (1) On the incorporation of a limited liability partnership its members are the persons who subscribed their names to the incorporation document (other than any who have died or been dissolved).
- (2) Any other person may become a member of a limited liability partnership by and in accordance with an agreement with the existing members.
- (3) A person may cease to be a member of a limited liability partnership (as well as by death or dissolution) in accordance with an agreement with the other members or, in the absence of agreement with the other members as to cessation of membership, by giving reasonable notice to the other members.
- (4) A member of a limited liability partnership shall not be regarded for any purpose as employed by the limited liability partnership unless, if he and the other members were partners in a partnership, he would be regarded for that purpose as employed by the partnership.

5 Relationship of members etc

- (1) Except as far as otherwise provided by this Act or any other enactment, the mutual rights and duties of the members of a limited liability partnership, and the mutual rights and duties of a limited liability partnership and its members, shall be governed—
 - (a) by agreement between the members, or between the limited liability partnership and its members, or
 - (b) in the absence of agreement as to any matter, by any provision made in relation to that matter by regulations under section 15(c).
- (2) An agreement made before the incorporation of a limited liability partnership between the persons who subscribe their names to the incorporation document may impose obligations on the limited liability partnership (to take effect at any time after its incorporation).

6 Members as agents

- (1) Every member of a limited liability partnership is the agent of the limited liability partnership.
- (2) But a limited liability partnership is not bound by anything done by a member in dealing with a person if—
 - (a) the member in fact has no authority to act for the limited liability partnership by doing that thing, and
 - (b) the person knows that he has no authority or does not know or believe him to be a member of the limited liability partnership.
- (3) Where a person has ceased to be a member of a limited liability partnership, the former member is to be regarded (in relation to any person dealing with the limited liability partnership) as still being a member of the limited liability partnership unless—
 - (a) the person has notice that the former member has ceased to be a member of the limited liability partnership, or

- (b) notice that the former member has ceased to be a member of the limited liability partnership has been delivered to the registrar.
- (4) Where a member of a limited liability partnership is liable to any person (other than another member of the limited liability partnership) as a result of a wrongful act or omission of his in the course of the business of the limited liability partnership or with its authority, the limited liability partnership is liable to the same extent as the member.

7 Ex-members

- (1) This section applies where a member of a limited liability partnership has either ceased to be a member or—
- (a) has died,
 - (b) has become bankrupt or had his estate sequestrated or has been wound up,
 - (c) has granted a trust deed for the benefit of his creditors, or
 - (d) has assigned the whole or any part of his share in the limited liability partnership (absolutely or by way of charge or security).
- (2) In such an event the former member or—
- (a) his personal representative,
 - (b) his trustee in bankruptcy or permanent or interim trustee (within the meaning of the Bankruptcy (Scotland) Act 1985) or liquidator,
 - (c) his trustee under the trust deed for the benefit of his creditors, or
 - (d) his assignee,
- may not interfere in the management or administration of any business or affairs of the limited liability partnership.
- (3) But subsection (2) does not affect any right to receive an amount from the limited liability partnership in that event.

8 Designated members

- (1) If the incorporation document specifies who are to be designated members—
- (a) they are designated members on incorporation, and
 - (b) any member may become a designated member by and in accordance with an agreement with the other members,
- and a member may cease to be a designated member in accordance with an agreement with the other members.
- (2) But if there would otherwise be no designated members, or only one, every member is a designated member.
- (3) If the incorporation document states that every person who from time to time is a member of the limited liability partnership is a designated member, every member is a designated member.
- (4) A limited liability partnership may at any time deliver to the registrar—
- (a) notice that specified members are to be designated members, or
 - (b) notice that every person who from time to time is a member of the limited liability partnership is a designated member,
- and, once it is delivered, subsection (1) (apart from paragraph (a)) and subsection (2), or subsection (3), shall have effect as if that were stated in the incorporation document.

- (5) A notice delivered under subsection (4)—
 - (a) shall be in a form approved by the registrar, and
 - (b) shall be signed by a designated member of the limited liability partnership or authenticated in a manner approved by the registrar.
- (6) A person ceases to be a designated member if he ceases to be a member.

9 Registration of membership changes

- (1) A limited liability partnership must ensure that—
 - (a) where a person becomes or ceases to be a member or designated member, notice is delivered to the registrar within fourteen days, and
 - (b) where there is any change in the name or address of a member, notice is delivered to the registrar within 28 days.
- (2) Where all the members from time to time of a limited liability partnership are designated members, subsection (1)(a) does not require notice that a person has become or ceased to be a designated member as well as a member.
- (3) A notice delivered under subsection (1)—
 - (a) shall be in a form approved by the registrar, and
 - (b) shall be signed by a designated member of the limited liability partnership or authenticated in a manner approved by the registrar,and, if it relates to a person becoming a member or designated member, shall contain a statement that he consents to becoming a member or designated member signed by him or authenticated in a manner approved by the registrar.
- (4) If a limited liability partnership fails to comply with subsection (1), the partnership and every designated member commits an offence.
- (5) But it is a defence for a designated member charged with an offence under subsection (4) to prove that he took all reasonable steps for securing that subsection (1) was complied with.
- (6) A person guilty of an offence under subsection (4) is liable on summary conviction to a fine not exceeding level 5 on the standard scale.

Taxation

10 Income tax and chargeable gains

- (1) In the Income and Corporation Taxes Act 1988, after section 118 insert—

“Limited liability partnerships

118ZA Treatment of limited liability partnerships

For the purposes of the Tax Acts, a trade, profession or business carried on by a limited liability partnership with a view to profit shall be treated as carried on in partnership by its members (and not by the limited liability partnership as

such); and, accordingly, the property of the limited liability partnership shall be treated for those purposes as partnership property.

118ZB Restriction on relief

Sections 117 and 118 have effect in relation to a member of a limited liability partnership as in relation to a limited partner, but subject to sections 118ZC and 118ZD.

118ZC Member's contribution to trade

- (1) Subsection (3) of section 117 does not have effect in relation to a member of a limited liability partnership.
- (2) But, for the purposes of that section and section 118, such a member's contribution to a trade at any time ("the relevant time") is the greater of—
 - (a) the amount subscribed by him, and
 - (b) the amount of his liability on a winding up.
- (3) The amount subscribed by a member of a limited liability partnership is the amount which he has contributed to the limited liability partnership as capital, less so much of that amount (if any) as—
 - (a) he has previously, directly or indirectly, drawn out or received back,
 - (b) he so draws out or receives back during the period of five years beginning with the relevant time,
 - (c) he is or may be entitled so to draw out or receive back at any time when he is a member of the limited liability partnership, or
 - (d) he is or may be entitled to require another person to reimburse to him.
- (4) The amount of the liability of a member of a limited liability partnership on a winding up is the amount which—
 - (a) he is liable to contribute to the assets of the limited liability partnership in the event of its being wound up, and
 - (b) he remains liable so to contribute for the period of at least five years beginning with the relevant time (or until it is wound up, if that happens before the end of that period).

118ZD Carry forward of unrelieved losses

- (1) Where amounts relating to a trade carried on by a member of a limited liability partnership are, in any one or more chargeable periods, prevented from being given or allowed by section 117 or 118 as it applies otherwise than by virtue of this section (his "total unrelieved loss"), subsection (2) applies in each subsequent chargeable period in which—
 - (a) he carries on the trade as a member of the limited liability partnership, and
 - (b) any of his total unrelieved loss remains outstanding.
- (2) Sections 380, 381, 393A(1) and 403 (and sections 117 and 118 as they apply in relation to those sections) shall have effect in the subsequent chargeable period as if—

- (a) any loss sustained or incurred by the member in the trade in that chargeable period were increased by an amount equal to so much of his total unrelieved loss as remains outstanding in that period, or
 - (b) (if no loss is so sustained or incurred) a loss of that amount were so sustained or incurred.
- (3) To ascertain whether any (and, if so, how much) of a member's total unrelieved loss remains outstanding in the subsequent chargeable period, deduct from the amount of his total unrelieved loss the aggregate of—
 - (a) any relief given under any provision of the Tax Acts (otherwise than as a result of subsection (2)) in respect of his total unrelieved loss in that or any previous chargeable period, and
 - (b) any amount given or allowed in respect of his total unrelieved loss as a result of subsection (2) in any previous chargeable period (or which would have been so given or allowed had a claim been made)."
- (2) In section 362(2)(a) of that Act (loan to buy into partnership), after "partner" insert "in a limited partnership registered under the Limited Partnerships Act 1907".
- (3) In the Taxation of Chargeable Gains Act 1992, after section 59 insert—

"59A Limited liability partnerships

- (1) Where a limited liability partnership carries on a trade or business with a view to profit—
 - (a) assets held by the limited liability partnership shall be treated for the purposes of tax in respect of chargeable gains as held by its members as partners, and
 - (b) any dealings by the limited liability partnership shall be treated for those purposes as dealings by its members in partnership (and not by the limited liability partnership as such),and tax in respect of chargeable gains accruing to the members of the limited liability partnership on the disposal of any of its assets shall be assessed and charged on them separately.
- (2) Where subsection (1) ceases to apply in relation to a limited liability partnership with the effect that tax is assessed and charged—
 - (a) on the limited liability partnership (as a company) in respect of chargeable gains accruing on the disposal of any of its assets, and
 - (b) on the members in respect of chargeable gains accruing on the disposal of any of their capital interests in the limited liability partnership,it shall be assessed and charged on the limited liability partnership as if subsection (1) had never applied in relation to it.
- (3) Neither the commencement of the application of subsection (1) nor the cessation of its application in relation to a limited liability partnership is to be taken as giving rise to the disposal of any assets by it or any of its members."
- (4) After section 156 of that Act insert—

“156A Cessation of trade by limited liability partnership

- (1) Where, immediately before the time of cessation of trade, a member of a limited liability partnership holds an asset, or an interest in an asset, acquired by him for a consideration treated as reduced under section 152 or 153, he shall be treated as if a chargeable gain equal to the amount of the reduction accrued to him immediately before that time.
- (2) Where, as a result of section 154(2), a chargeable gain on the disposal of an asset, or an interest in an asset, by a member of a limited liability partnership has not accrued before the time of cessation of trade, the member shall be treated as if the chargeable gain accrued immediately before that time.
- (3) In this section “the time of cessation of trade”, in relation to a limited liability partnership, means the time when section 59A(1) ceases to apply in relation to the limited liability partnership.”

11 Inheritance tax

In the Inheritance Tax Act 1984, after section 267 insert—

“267A Limited liability partnerships

For the purposes of this Act and any other enactments relating to inheritance tax—

- (a) property to which a limited liability partnership is entitled, or which it occupies or uses, shall be treated as property to which its members are entitled, or which they occupy or use, as partners,
- (b) any business carried on by a limited liability partnership shall be treated as carried on in partnership by its members,
- (c) incorporation, change in membership or dissolution of a limited liability partnership shall be treated as formation, alteration or dissolution of a partnership, and
- (d) any transfer of value made by or to a limited liability partnership shall be treated as made by or to its members in partnership (and not by or to the limited liability partnership as such).”

12 Stamp duty

- (1) Stamp duty shall not be chargeable on an instrument by which property is conveyed or transferred by a person to a limited liability partnership in connection with its incorporation within the period of one year beginning with the date of incorporation if the following two conditions are satisfied.
- (2) The first condition is that at the relevant time the person—
 - (a) is a partner in a partnership comprised of all the persons who are or are to be members of the limited liability partnership (and no-one else), or
 - (b) holds the property conveyed or transferred as nominee or bare trustee for one or more of the partners in such a partnership.
- (3) The second condition is that—

- (a) the proportions of the property conveyed or transferred to which the persons mentioned in subsection (2)(a) are entitled immediately after the conveyance or transfer are the same as those to which they were entitled at the relevant time, or
 - (b) none of the differences in those proportions has arisen as part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of liability to any duty or tax.
- (4) For the purposes of subsection (2) a person holds property as bare trustee for a partner if the partner has the exclusive right (subject only to satisfying any outstanding charge, lien or other right of the trustee to resort to the property for payment of duty, taxes, costs or other outgoings) to direct how the property shall be dealt with.
- (5) In this section “the relevant time” means—
- (a) if the person who conveyed or transferred the property to the limited liability partnership acquired the property after its incorporation, immediately after he acquired the property, and
 - (b) in any other case, immediately before its incorporation.
- (6) An instrument in respect of which stamp duty is not chargeable by virtue of subsection (1) shall not be taken to be duly stamped unless—
- (a) it has, in accordance with section 12 of the Stamp Act 1891, been stamped with a particular stamp denoting that it is not chargeable with any duty or that it is duly stamped, or
 - (b) it is stamped with the duty to which it would be liable apart from that subsection.

13 Class 4 national insurance contributions

In section 15 of the Social Security Contributions and Benefits Act 1992 and section 15 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (Class 4 contributions), after subsection (3) insert—

“(3A) Where income tax is (or would be) charged on a member of a limited liability partnership in respect of profits or gains arising from the carrying on of a trade or profession by the limited liability partnership, Class 4 contributions shall be payable by him if they would be payable were the trade or profession carried on in partnership by the members.”

Regulations

14 Insolvency and winding up

- (1) Regulations shall make provision about the insolvency and winding up of limited liability partnerships by applying or incorporating, with such modifications as appear appropriate, Parts I to IV, VI and VII of the Insolvency Act 1986.
- (2) Regulations may make other provision about the insolvency and winding up of limited liability partnerships, and provision about the insolvency and winding up of oversea limited liability partnerships, by—

- (a) applying or incorporating, with such modifications as appear appropriate, any law relating to the insolvency or winding up of companies or other corporations which would not otherwise have effect in relation to them, or
 - (b) providing for any law relating to the insolvency or winding up of companies or other corporations which would otherwise have effect in relation to them not to apply to them or to apply to them with such modifications as appear appropriate.
- (3) In this Act “oversea limited liability partnership” means a body incorporated or otherwise established outside Great Britain and having such connection with Great Britain, and such other features, as regulations may prescribe.

15 Application of company law etc

Regulations may make provision about limited liability partnerships and oversea limited liability partnerships (not being provision about insolvency or winding up) by—

- (a) applying or incorporating, with such modifications as appear appropriate, any law relating to companies or other corporations which would not otherwise have effect in relation to them,
- (b) providing for any law relating to companies or other corporations which would otherwise have effect in relation to them not to apply to them or to apply to them with such modifications as appear appropriate, or
- (c) applying or incorporating, with such modifications as appear appropriate, any law relating to partnerships.

16 Consequential amendments

- (1) Regulations may make in any enactment such amendments or repeals as appear appropriate in consequence of this Act or regulations made under it.
- (2) The regulations may, in particular, make amendments and repeals affecting companies or other corporations or partnerships.

17 General

- (1) In this Act “regulations” means regulations made by the Secretary of State by statutory instrument.
- (2) Regulations under this Act may in particular—
 - (a) make provision for dealing with non-compliance with any of the regulations (including the creation of criminal offences),
 - (b) impose fees (which shall be paid into the Consolidated Fund), and
 - (c) provide for the exercise of functions by persons prescribed by the regulations.
- (3) Regulations under this Act may—
 - (a) contain any appropriate consequential, incidental, supplementary or transitional provisions or savings, and
 - (b) make different provision for different purposes.
- (4) No regulations to which this subsection applies shall be made unless a draft of the statutory instrument containing the regulations (whether or not together with other

provisions) has been laid before, and approved by a resolution of, each House of Parliament.

- (5) Subsection (4) applies to—
- (a) regulations under section 14(2) not consisting entirely of the application or incorporation (with or without modifications) of provisions contained in or made under the Insolvency Act 1986,
 - (b) regulations under section 15 not consisting entirely of the application or incorporation (with or without modifications) of provisions contained in or made under Part I, Chapter VIII of Part V, Part VII, Parts XI to XIII, Parts XVI to XVIII, Part XX or Parts XXIV to XXVI of the Companies Act 1985,
 - (c) regulations under section 14 or 15 making provision about overseas limited liability partnerships, and
 - (d) regulations under section 16.
- (6) A statutory instrument containing regulations under this Act shall (unless a draft of it has been approved by a resolution of each House of Parliament) be subject to annulment in pursuance of a resolution of either House of Parliament.

Supplementary

18 Interpretation

In this Act—

- “address”, in relation to a member of a limited liability partnership, means—
- (a) if an individual, his usual residential address, and
 - (b) if a corporation or Scottish firm, its registered or principal office,
- “business” includes every trade, profession and occupation,
- “designated member” shall be construed in accordance with section 8,
- “enactment” includes subordinate legislation (within the meaning of the Interpretation Act 1978),
- “incorporation document” shall be construed in accordance with section 2,
- “limited liability partnership” has the meaning given by section 1(2),
- “member” shall be construed in accordance with section 4,
- “modifications” includes additions and omissions,
- “name”, in relation to a member of a limited liability partnership, means—
- (a) if an individual, his forename and surname (or, in the case of a peer or other person usually known by a title, his title instead of or in addition to either or both his forename and surname), and
 - (b) if a corporation or Scottish firm, its corporate or firm name,
- “overseas limited liability partnership” has the meaning given by section 14(3),
- “the registrar” means—
- (a) if the registered office of the limited liability partnership is, or is to be, situated in England and Wales or in Wales, the registrar or other officer performing under the Companies Act 1985 the duty of registration of companies in England and Wales, and

- (b) if its registered office is, or is to be, situated in Scotland, the registrar or other officer performing under that Act the duty of registration of companies in Scotland, and “regulations” has the meaning given by section 17(1).

19 Commencement, extent and short title

- (1) The preceding provisions of this Act shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint; and different days may be appointed for different purposes.
- (2) The Secretary of State may by order made by statutory instrument make any transitional provisions and savings which appear appropriate in connection with the coming into force of any provision of this Act.
- (3) For the purposes of the Scotland Act 1998 this Act shall be taken to be a pre-commencement enactment within the meaning of that Act.
- (4) Apart from sections 10 to 13 (and this section), this Act does not extend to Northern Ireland.
- (5) This Act may be cited as the Limited Liability Partnerships Act 2000.