

What is a Limited Liability Partnership?

The Limited Liability Partnership is corporate vehicle with its own legal identity that gives its owners the benefit of limited liability whilst retaining many of characteristics of a traditional business partnership. This structure combines the benefits of the traditional partnership in respect of legal affairs and tax treatment together with that of limited liability to protect partners' personal assets. Incorporation is a simple process, which we have tailored to provide an easy route to completion of the necessary formalities.

Generally speaking, an LLP is taxed in much the same way that existing non-limited trading partnerships are taxed and maintains a very similar structure as a partnership. Unlike a limited company, an LLP has no Articles of Association, but is usually governed by a partnership agreement which determines how the business structure works, sets out responsibilities of those involved and provides dispute resolution and exit strategies.

Any firm consisting of two or more members engaged in a commercial profit-making venture may become an LLP. Many of the regulations written into the Companies Act 2006 apply equally to LLPs as they do to limited companies, including those relating to the name of the LLP along with filing requirements such as confirmation statements and annual accounts.

As with any business partnership it is vital that the partners draw up a suitable written agreement to determine issues such as control, division of revenue and exit strategies. You may wish to consult your legal advisers in this respect.

Key Points

- Suitable for new and existing partnerships wishing to obtain limited liability status
- Maintains tax status of a partnership
- Members have limited liability
- Incorporation within hours
- Suitable for many commercial business activities where the owners wish to maintain elements of trading as a traditional partnership
- Must file Confirmations Statements and Annual Accounts at Companies House
- Always seek professional advice on tax matters before deciding

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Structure of an LLP

An LLP has members and designated members. With the agreement of the other members, a member may become a designated member. Designated members have the same rights and duties as any other member, but there are additional responsibilities such as signing accounts on behalf of the LLP, delivering accounts and returns to the Registrar of Companies, notifying the Registrar of changes to the LLP's members or registered office and acting on behalf of the LLP in the event of winding up, much in the way such duties and responsibilities fall on company directors.

An LLP must have at least two "designated members" at all times, otherwise the members' limited liability may be at risk. There is no specific requirement to have any non-designated members and there is no maximum to the number of members allowed. An LLP may be established such that all members are considered to be designated members.

There is no requirement to file any governing document at Companies House but it is highly recommended that a formal agreement is established to ensure the business has a proper framework for the resolution of disputes between members or for the provision of rules on withdrawing profits from the business, and suitable exit strategies. The LLP must also have an official registered office, just as with a limited company, which is recorded at Companies House. Unlike limited companies, there are no directors or company secretary, and of course, no shareholders.

Stationery

As with limited companies, there is certain information that must be displayed on an LLP's stationery. All business letters, notices and publications, cheques, bills, invoices etc must bear the full name of the LLP including the words "Limited Liability Partnership" or the abbreviation "LLP".

In addition, all business letters and order forms must show the following:

- The place of registration - eg; "Registered in England & Wales" or "Registered in Scotland"
- The registered number
- The fact that it is a Limited Liability Partnership
- The address of its registered office

This information must also be displayed on any web site owned or operated by the LLP.