

Osborne Books

The Business Environment

Limited Liability Partnership supplement

This supplement provides an explanation of limited liability partnerships, which AAT has confirmed are included in partnerships in LO 4.1 and LO 4.2.

References in the supplement are to pages in the Osborne Books, The Business Environment Tutorial.

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At the end of the section on partnerships, remove the words ‘which are covered in the Level 3 Business Awareness unit., and add:

limited liability partnership

A limited liability partnership (LLP) is an incorporated business with the members having limited liability.

There must be a minimum of two members, who can be individuals or companies (referred to as corporate members).

Unlike a partnership, the members are not personally liable for any debts that the business cannot pay.

An LLP agreement sets out how the business will be run, including:

- how profits are distributed between members
- members responsibilities
- the management and control of the LLP
- how members can join and leave the LLP

Sources of finance for an LLP are the same as those available to limited companies.

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At the bottom of the page add:

limited liability partnerships (LLPs)

LLPs must file statutory accounts with Companies House which must be available to the members, including:

- a statement of profit or loss account
- a statement of financial position
- notes to the financial statements
- a strategic report (unless exempt) – this is a fair review of the business and its principal risks and uncertainties

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In the first bullet of the **income tax section**, after partnerships, add: (including LLPs)

In the first bullet of the **national insurance section**, after partnerships, add: (including LLPs)

After the corporation tax section add a new section:

LLPs

LLPs are not taxed in the same way as companies. The taxable profits are distributed to members (in accordance with the LLP agreement) and individual members pay income tax and national insurance on their profit share.

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SETTING UP A BUSINESS AS AN LIMITED LIABILITY PARTNERSHIP (LLP)

LLPs are regulated by Companies House.

the business name

The same rules apply as those for limited companies, except the name must end with 'Limited Liability Partnership' or 'LLP'.

the registration process – Companies House

The process is similar to that of a company with the following details required:

- LLP name
- address of registered office
- the details of at least two members
- LLP agreement

the registration process – HMRC

The LLP will be automatically registered with HMRC once the business has been registered with Companies House.

Every member of an LLP must register with HMRC for self-assessment.

filing

Annual accounts must be filed with Companies House nine months after the year end date.

An annual self-assessment tax return for the LLP must be filed with HMRC and is due by 31st January following the end of the tax year.

Note: LLP's do not have their own tax liability.

Individual members of a LLP must file an annual self-assessment tax return with HMRC by 31st January following the end of the tax year, any income tax and national insurance payable is also due on this date.

retention of financial records

LLP's must keep financial records for three years after the date they were made.