

International Taxation Practice Group (ITPG)

The UK's secret international trading vehicle

By Graham Busch

Come in James Bond? Shaken not stirred? Well, to be honest, the vehicle to which I refer is not 007's Aston Martin. Nothing quite so glamorous. Nonetheless, a very interesting opportunity for international traders wishing to use a UK entity that offers limited liability in a potentially (entirely) UK tax-free environment. I am talking here about the UK Limited Liability Partnership, or LLP.

The UK LLP is a legal entity, properly registered with the UK Registrar of Companies (also known as "Companies House") and operated in accordance with the statutes similar to those of a UK company. There are however significant differences, including:

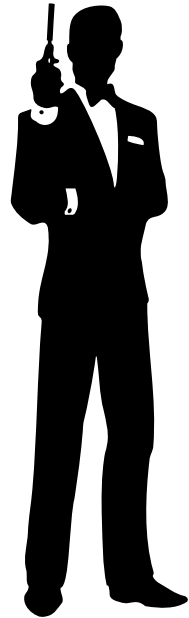
- An LLP has members, not shareholders or directors.
- A trading LLP is see-through for UK tax purposes.

So the LLP affords the members all of the usual corporate benefits, including liability limited to the members' contributions. However, the LLP itself pays no tax on its trading profits. Furthermore, no UK tax will arise on the LLP's profits if:

- None of the trade takes place in the UK, and
- None of the members are UK resident, and,
- No permanent establishment exists in the UK.

Further interesting features include:

- No nationality or residence requirements for the members.
- No minimum capital requirements.
- Formation in 24 hours.



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- Formation costs are small.
- Corporate members are permitted.
- Nominee members are permitted.
- Unless the LLP is large, abbreviated accounts may be filed at Companies House. These exclude turnover and net profits, which are therefore kept

“secret” from any member of the public.

It is also possible to have a combination of corporate and non-corporate members. This can be very interesting where, for example, the LLP’s trading profits belong to the corporate member(s) and capital growth to the non-corporate member(s). So where the corporate members are located in a no or low or otherwise favourable tax jurisdiction, and the individuals based in a jurisdiction with a favourable capital gains tax regime, an exceptionally good tax outcome may be achieved. So there you have it – now the secret is out.



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