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Ms Elayne Carr, Business Frameworks Policy Team
Department for Business, Energy and Industrial Strategy
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Dear Ms Carr

Association of Accounting Technicians response to the Department for Business, Energy and Industrial Strategy consultation "Review of Limited Partnership Law: A call for evidence"

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Department for Business, Energy and Industrial Strategy call for evidence on the "Review of Limited Partnership Law: A call for evidence".

AAT is submitting this response for the wider public benefit of having a buoyant economy that encourages growth and development in the UK. Specifically, the AAT Articles of Association state the objective is "to prevent crime" and "promote the sound administration of the law for the public benefit by promoting and enforcing standards of professional conduct amongst those engaged in accountancy and monitoring and supervising their compliance with money laundering legislation".

Furthermore, the comments reflect the potential impact that the proposed changes would have on Limited Partnerships in the UK and especially Scotland.

Limited Partnerships formed in Scotland (SLP)

In percentage terms the recent growth in SLPs is significant. However, the number of SLPs at the end of 2015 was still less than 20,000. Nevertheless, AAT believes that potential problems relating to the low level of SLP transparency may, if unaddressed, become a bigger issue in the future. Therefore AAT recommends that the Government takes action on this issue as soon as is reasonably practicable.

There do not appear to be any legitimate benefits of limited partnerships over a limited company other than the benefit of the lack of transparency. Furthermore, there appears to be little economic benefit to Scotland from the increase in SLP registrations, especially as it is the partners who are taxed on UK activity, rather than the limited partnership.

Currently, the lack of transparency of SLPs would appear to provide opportunities to facilitate criminal activity. This is evidenced by:

- having a separate legal personality which means that it can own assets, enter into contracts, sue or be sued, own property, borrow money and grant certain types of security. So it would be the SLP that would be responsible for the debts and actions undertaken in its name

- the fact it would appear that for a limited partnership, the general partner and the limited partner can be an individual or a company[1]. So, a SLP or foreign body corporate could be a general or limited partner in a SLP which makes the identification of who owns and controls the SLP difficult and in some cases impossible

[1] Para 16.4 page 272 of http://www.lawcom.gov.uk/wp-content/uploads/2015/03/lc283_Partnership_Law.pdf
Companies House guidance https://www.gov.uk/set-up-and-run-limited-partnership/partners-responsibilities

- the requirements to keep a register of Persons of Significant Control (PSCs) does not appear to apply to SLPs[2]. So, again, identification of who owns and controls the SLP is difficult and in some cases impossible

- there does not appear to be any requirement for the principle place of businesses to remain in the UK after the SLP has been established. This would make it difficult to serve legal documents upon the SLP and potentially may also have tax avoidance implications

- the SLP is transparent for tax purposes i.e. it is the partners that are liable for the tax. So there is no manifest need for scrutiny of the SLPs in their own right by the tax authorities, although HMRC may undertake some form of scrutiny that it would not publically disclose on the grounds of confidentiality.

AAT recommends that:

- given SLPs have limited liability it would be reasonable for them to be treated in exactly the same way as limited companies in terms of being required to file accounts at Companies House
- where the SLP satisfies the audit thresholds for limited companies they should be required to be audited too.
- SLPs should be brought in the People of Significant Control (PSC) regime
- the general partner of an SLP should be an individual and not a body corporate
- all Limited Partnerships should be required to have a registered address in the UK and for an SLP this would be in Scotland. It should also be a requirement that this information is kept up to date so that legal documents can be more easily served upon the limited partnership if necessary.
- the status of an SLP should also be clearly stated on the Companies House Register. For example, where the SLP is in a voluntary dissolution or under a court order. Any issue concerning impropriety (e.g. if one of the partners was in an individual voluntary arrangement) should be highlighted in order to alert third parties to potential issues

The costs of the recommended transparency requirements above are likely to be nominal given that legitimate SLPs are likely to prepare accounts for internal purposes anyway.

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

If you have any queries or require any further information, please do not hesitate to contact our Technical Consultation Manager, Aleem Islan, at consultation@aat.org.uk

Yours sincerely,

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[2] The Register of People with Significant Control Regulations 2016