ALERTS

Do You Need to Make Changes to Your UK LLP Agreement?

19 February 2014

In May 2013, HM Revenue and Customs ("HMRC") consulted on proposals in two areas to tackle perceived tax avoidance via partnerships. The first area was disguised employment in Limited Liability Partnerships ("LLPs") and the second was the tax-motivated allocation of business profits and losses in partnerships (including LLPs), especially profit allocations to the corporate member of an LLP. The consultation has ended and HMRC issued final legislative proposals and a detailed draft Technical Note and Guidance ("Guidance") in December 2013. The final form of the Legislation and Guidance is expected to be published in March 2014.

The new legislation will be effective from 6 April 2014 and, in substance, will: (1) tax individual LLP members who are treated as salaried members under the tests in the new legislation ("Salaried Members") as employees; and (2) remove in most cases the tax advantages gained through profit allocations to corporate partners ("Corporate Members"), loss allocation to individual partners, and transfers of assets or income streams through partnerships. The Salaried Member rules and allocations of profits to Corporate Members are explored in this *Memorandum*.

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