

The United Kingdom Limited Partnership - The Ultimate Pass Through Tax Entity

There are many characteristics that make a business structure attractive, but one of the most common is a "Pass Through" or "Disregarded" tax treatment. This means that the entity itself is not taxed, but that the owners of the entity are taxed on their share of the entity's profits. This is often beneficial in that it avoids double taxation, but also because there are often exceptions to taxation for some owners which can result in zero taxation. The United Kingdom Limited Partnership (hereinafter the UK LP) provides just such a feature.

The UK LP legislation was established in 1907 and has remained unchanged since then. It is easy to establish, and once established requires zero reporting since it is a truly 100% "pass through" entity. The income from the partnership is attributed to the partners without the need to file a partnership return in the UK. If the partners are not in the UK and the income is not derived from UK business, there will be no UK taxes and thereby no reports that need to be filed. Now since the UK has some of the best tax treaties around, this income may also be tax exempt in the client's home country.

The advantages of the UK LP are profound since it makes USA, UK and European banking available to "offshore" entities that might otherwise be on black lists. For instance, a US Limited Liability Company could be the General Partner with a 0% economic interest (but 100% management control), a Bahamas Trust could be a Limited Partner of the UK LP with a 99% interest, and a non-resident individual could be a Limited Partner with a 1% interest. As long as there is at least one individual member/partner of the UK LP there will be no need to report anything to anyone, or to maintain audited accounts.

Now you may ask, why doesn't everyone know about the UK LP? The primary reason that the UK LP is not more commonly used is that it is really not the ideal entity to use if you are a UK resident or a UK business that is taxable under the UK tax system. The Limited Company or another corporate entity would probably be much better, and give you better tax treatment in the UK. As such it is used primarily by non-UK residents who do not make a lot of noise about it since it really is a nice little secret.

Now the above example is just one possible configuration that could be employed. It has many advantages since the use of the US LLC as the General Partner makes it easy to obtain access to US bank accounts (although we have found it a simple matter to establish bank accounts in the name of the UK LP with friendly banks). It is very common for the General Partner to maintain the accounts of a Limited Partnership in its own name, and because of this it is a simple way of using the UK LP while maintaining accounts in the USA. Under this system, if the client



was a US citizen and owned 100% of the US LLC (another “disregarded” tax entity) the client would only be obligated to pay taxes on 1% the income of the UK LP. This of course presumes that the remaining 99% Limited Partnership interest is owned by a PROPERLY STRUCTURED non-US entity that is not considered an imputed US resident entity for tax purposes and is not considered a “Controlled Foreign Company” under US tax laws. This presumption is not unreasonable since we are experts at handling these matters and can design the structure to avoid these circumstances and meet all the legal requirements. This configuration could very well be an advantageous structure for US clients or non-US clients.

Another possible configuration would be to have the client act as the General Partner and have the properly structured offshore entity act as Limited Partner with a 99% interest in the UK LP. The advantages of this system could be an ease in obtaining access to European bank accounts. There are many different ways of configuring the UK LP, and each might provide specific benefits for different clients depending upon the circumstances. Please feel free to contact us to discuss your options.

List of Additional Services

- Charles Schwab One Account for trading stocks, bonds and mutual funds. This will include a check book and visa debit card that can be drawn against balance on the account. Management services available upon request. (This service requires that the General Partner be a US LLC.) \$400.00 US
- Company Paypal Account linked to US bank account. This is very handy if you want to do business on Ebay or accept credit card payments from prospective buyers. \$150.00 US
- Virtual Office Headquarters including mail drop and fax number in the USA. \$300.00 US annually
- Virtual Office Headquarters in the United Kingdom. Varies as to location
- A detailed legal evaluation and legal advisory regarding tax structure and status of the system. \$2,500.00 US and up
- Telephone line with voice mail. Please contact us for more information.
- Internet Services such as web-hosting and emails. Varies
- Application to establish whole life insurance policy with paid up premium, or annuity. Varies
- International IBC to act as Limited Partner of the UK LP, usually in concert with the International Privacy Trust, includes an International IBC, the first year Annual Registered Agent and Office fees of \$750.00, and the first year Nominee Manager services of \$250.00. This system may provide added security and privacy depending upon the client’s home jurisdiction. \$1,500.00 US

ORDER FORM

The UK Limited Partnership Structure

CLIENT: _____ DATE: _____, 20__

ADDRESS: _____

BUS. PHONE: _____ FAX: _____

EMAIL: _____ OTHER: _____

I agree to retain The Squire Organization, LLC to provide the following services:

- UK Limited Partnership** **\$1,000.00 US**
Includes Limited Partnership Agreement executed in double original copies, Registering the UK Limited Partnership, and certified copies of final package.

- US Limited Liability Company** **\$1,000.00 US**
Includes a US LLC to act as General Partner, the first year Annual Registered Agent and Office fees of \$250.00, the first year Nominee Manager services of \$250.00, and the first year Virtual Office HQ of \$300.00.

- International Privacy Trust** **\$ 500.00 US**
A International Privacy Trust (usually in the Bahamas), assistance in structuring of the trust in order to provide maximum asset protection and estate planning benefits, and the first Annual Trustee Fees of \$250.00. The International Privacy Trust will normally be the Limited Partner of the UK LP.

- Establish US Bank Account for UK LP or US LLC** **\$ 1,000.00 US**
Includes a US small business bank account with online banking, checks, and debit card, etc.

- The Complete UK Limited Partnership Package** **\$5,000.00 US**
This Package includes the UK Limited Partnership, the US Limited Liability Company, the International Privacy Trust as described above with US Bank Account for either the UK LP or the US LLC. Normally the US LLC will be the General Partner with a 0% interest, the International Privacy Trust will be a Limited Partner with a 99% interest, and the client will be a Limited Partner with 1% interest. In addition, this Package includes a comprehensive Legal Advisory Letter prepared by an experienced Tax Attorney in the USA (normally a \$2,500.00 fee).

Preferred Name for the **UK Limited Partnership** (e.g., ABC Holdings Limited Partnership):

Preferred Name for the **US Limited Liability Company** (e.g., ABC Holdings LLC or Ltd Co, etc.):

Preferred Name for the **International Privacy Trust** (e.g., ABC Holdings Trust):

I acknowledge and agree to the above fee arrangement:

X _____
CLIENT SIGNATURE

PAYMENT INSTRUCTIONS

- Print document and complete data in clear block letters. Then sign.
- Fax to The Squire Organization, LLC at: 419-710-4339 (USA Number).
- Upon receipt of fax we will send you an invoice with payment instructions and more information on formation procedures.
- Upon receipt of final payment we will confirm and complete the package with any additional details required as requested.

MISCELLANEOUS

1. Work foreseen in this agreement will include only the preparation of the paperwork, telephone calls, and shipping and delivery of documents.
2. This case is being accepted subject to review by supervising consultant. Upon review it may be declined. If declined, any fees accepted will be refunded.
3. The retainer is non-refundable and represents the minimum fee for accepting this case. Failure to keep account up to date may result in withdrawal of representation by consultant.
4. Client shall keep consultant informed of any changes of address and/or phone numbers.
5. Client must respond within a reasonable time to requests for information, documents, etc.

NOTE: This system may not provide immediate asset protection if there are prior creditors and liabilities. It would be best if the system was in place before such liabilities are incurred rather than after. Otherwise, there may be a time period before the transfers are safe from creditors, depending upon the laws and regulations of the jurisdiction. If you intend to sell certain real property, this system may be inappropriate.