



Department for
Business, Energy
& Industrial Strategy

REVIEW OF LIMITED PARTNERSHIP LAW

A call for evidence

January 2017

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1. Introduction

The Department for Business, Energy and Industrial Strategy is aware of the recent media reports that suggest Limited Partnerships, particularly those registered in Scotland, are being used as vehicles for criminal activity. Over the last five years there has been a significant increase in the number of Limited Partnerships registered in Scotland in comparison to England, Wales and Northern Ireland. This may be due to the difference in the legal characteristics between the two.

Responsibility for the law on partnerships lies with the Secretary of State for Business, Energy and Industrial Strategy. The Partnership Act 1890 and the Limited Partnerships Act 1907 extend to the whole of the United Kingdom.

The subject of partnerships is a reserved area under the Scottish devolution legislation; and there are no relevant functions devolved under the devolution legislation for Wales. In Northern Ireland, partnership law, like company law, is a transferred matter under the Northern Ireland Act 1998, and as such comes under the jurisdiction of the Northern Ireland Assembly. However, to ensure that company legislation is enacted simultaneously throughout the United Kingdom it was agreed that the Companies Act 2006 should also extend to Northern Ireland.

Whilst we recognise that Limited Partnerships are used in a wide variety of economic sectors and as investment vehicles, there is a valid concern that aspects of their legal characteristics may also act as enablers for criminal activity. We would therefore like to review the Limited Partnership framework covering those registered in Scotland, England, Wales and Northern Ireland.

It is important that we gather as much information on these entities as possible, in particular a better understanding of why these entities are rapidly increasing in number and the value they bring to the economies of England, Wales, Northern Ireland and Scotland.

During the next ten weeks, officials from Business, Energy and Industrial Strategy Skills would welcome meetings with interested parties on this issue. We look forward to receiving your views and evidence on this important matter.

Issued: 16 January 2017

Respond by: 17 March 2017

Enquiries to:

Elayne Carr
Business Frameworks Policy Team
Department for Business, Energy and Industrial Strategy
1 Victoria Street
Westminster
London
SW1P 0EH

Email: ReviewofLimitedPartnershipLaw@beis.gov.uk

2. Executive summary

The UK offers a flexible framework for corporate entities to work within. It is designed to allow many different entities to be created to deliver wide ranging outcomes and meet the needs of various different sectors. Entities formed in the UK include companies limited by shares and guarantee, Limited Liability Partnerships, Community Interest Companies, along with Limited Partnerships.

The legislation covering Limited Partnerships dates back centuries and was codified in 1890. The Limited Partnership Act 1907 introduced a new type of partnership, the Limited Partnership. There are some differences between the legal framework covering Limited Partnerships registered in England, Wales and Northern Ireland, compared to those registered in Scotland. Only those Limited Partnerships registered in Scotland have separate legal personality from the partners themselves, with the ability to own property or enter into contracts. Those registered in England, Wales and Northern Ireland are not able to.

There have been a number of media reports alleging that some of those Limited Partnerships registered in Scotland are being used as vehicles for a number of different forms of criminality. There has also been a recent and significant increase in the number of registrations of Limited Partnerships in Scotland compared to England, Wales and Northern Ireland, but little evidence to explain why, or information to demonstrate that this increase is benefitting the Scottish economy (or the UK as a whole) as a result.

We are therefore publishing this Call for Evidence seeking views and evidence on the possible reasons why registration of Limited Partnerships in Scotland has increased, and to a lesser extent in England, Wales and Northern Ireland. We also want to consider the types of economic uses they are used for, and what the legal characteristics are that might act as the enabler to possible criminal activity.

We are also taking this opportunity to look at other characteristics or requirements within Limited Partnerships law. These include transparency requirements, principal place of business for the purposes of registration and the serving of legal documents. The arrangements for the ending of a Limited Partnership and finally the role of formation agents are also included in this Call for Evidence.

We acknowledge that there have been other consultations and proposals relating to Limited Partnerships over the last 10 – 20 years, including proposals by the Law Commission and Scottish Law Commission in the report, “Partnership Law” (2003). However, now may be the time to look again to see whether Limited Partnerships need reform. No decisions on any future regulatory action or otherwise have been made. For now, this is an exercise designed to understand from those of you that are operating in the market what is happening and why, and to gather evidence. Any further measures would be subject to further consultation and full Parliamentary scrutiny.

3. How to respond

This Call for Evidence opened on 16 January 2017 and will close on 17 March 2017.

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the form and, where applicable, how the views of members were assembled.

The Call for Evidence response form is available electronically on the consultation page: www.gov.uk/government/consultations/review-of-limited-partnership-law-call-for-evidence.

The form can be submitted online/by email or by letter to:

Elayne Carr
The Business Frameworks Team
Department for Business, Energy and Industrial Strategy
1 Victoria Street
Westminster
London
SW1P 0EH

Email: ReviewofLimitedPartnershipLaw@beis.gov.uk

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BEIS calls for evidence are digital by default but if required printed copies of this document can be obtained from the address above.

Other versions of the document in Braille, other languages or audio-cassette are available on request.

4. Confidentiality and data protection

Information provided in response to this call for evidence, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

We will summarise all responses and place this summary on GOV.UK. This summary will include a list of names or organisations that responded but not people's names and addresses.

5. Quality assurance

This call for evidence has been carried out in accordance with the government's Consultation Principles.

www.gov.uk/government/publications/consultation-principles-guidance

If you have any complaints about this process (as opposed to comments about the issues which are the subject of the call for evidence) please address to:

Angela Rabess

Email: enquiries@beis.gov.uk

6. Limited Partnerships

Scope

The structure of UK partnerships is set out in the Partnership Act 1890 (the 1890 Act). In 1907 the Limited Partnership Act (the 1907 Act) introduced a new form of partnership beyond those already available under the 1890 Act. The 1907 Act allowed for limited liability for one or more of the partners, however to benefit from one or more partners having limited liability, at least one general partner with unlimited liability had to be retained within the overall partnership.

In English Law a partnership is not a separate entity from the partners, therefore the partnership cannot acquire rights nor incur obligations, nor can the partnership hold property. Property is usually held by the partners, or a company on trust for the partnership. The general partners of a partnership have unlimited liability and therefore are personally liable for the debts and obligations of the partnership.

The situation is different in Scotland. Under Scots law a partnership is recognised under the 1890 Act as a legal person distinct from each partner. This difference means that a partnership under Scots law, including a Scottish Limited Partnership (SLP) is able to own property, hold rights and assume obligations. It can sue and be sued and be a partner in another partnership or entity. It can enter into contracts with its partners, who can be creditors or debtors of the partnership. It is the firm and not its members which is primarily liable for debts and obligations incurred in its name. The Legal and Regulatory framework can be found at [Annex A](#).

A third form of partnership is a Limited Liability Partnership (LLP). This new type of entity was created by the Limited Liability Partnership Act 2000. These are bodies corporate and subject to many of the requirements within the Companies Act 2006, including those relating to accounts and reports. They are also treated like partnerships for most tax purposes providing they are carrying on a business with a view to profit. For the purpose of this call for evidence we are not seeking information on Limited Liability Partnerships.

History

Partnerships offer a great deal of flexibility and this is reflected in the wide-ranging differences between partnerships currently in existence. For example, they can be relatively informal with just two or three partners to complex firms with many partners.

Traditionally, Limited Partnerships have been used for special purposes; in Scotland these have primarily been agricultural tenancy structures and we understand that there are still around 500 Scottish Limited Partnerships active in this sector.

More recently, Limited Partnerships have been used for more varied purposes, for example oil and gas exploration and production, real estate development, farming and film production. In particular a Limited Partnership is a useful vehicle for investors who do not wish to take an active role in the management of the partnership business. Limited Partnerships registered in England, Wales and Northern Ireland and in Scotland have become one of the most important vehicles for venture capital investment.

That said, the 1890 Act and the 1907 Act have remained largely unchanged. Amendments to note include:

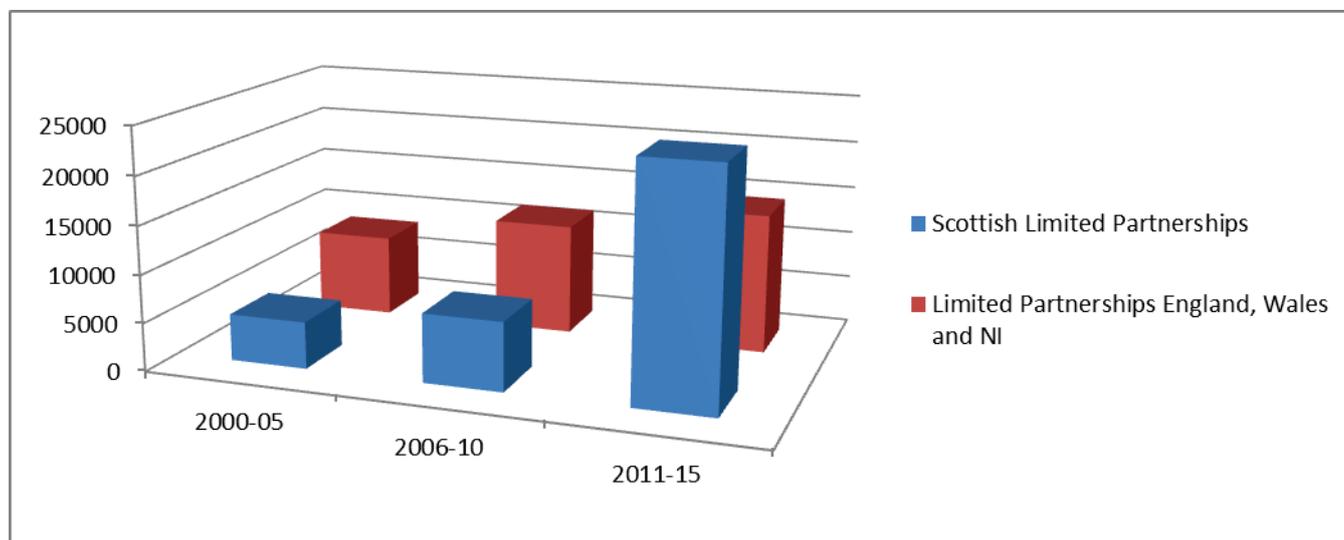
- (i) The Legislative Reform (Limited Partnerships) Order 2009 clarified the registration process. Specifically, this Order made clear that only the Certificate of Registration could be conclusive evidence of the existence and registration of a Limited Partnership. The Order made no other changes to the 1907 Act.
- (ii) The Partnership (Accounts) Regulations 2008 introduced requirements on “qualifying partnerships” to prepare and file accounts. These were amended by the Companies and Partnership (Accounts and Audit) Regulations 2013. These regulations apply to Limited Partnerships which have, as general partners, only limited liability entities. Those general partners must prepare and publish accounts in relation to the Limited Partnership and make the accounts available for inspection on request within the UK.
- (iii) In 2015, the UK government consulted on amending the Limited Partnership regime to introduce a new private fund Limited Partnership category, which will reduce administrative burdens for investment funds structured as Limited Partnerships. The UK government announced a final package of amendments at Budget 2016, and is continuing to implement these changes.

The number of Limited Partnerships, registered in England, Wales, Northern Ireland and in Scotland, grew steadily in the 1990s and early 2000s. However from around 2010 we have seen a significant increase in the registration of Limited Partnerships in Scotland (Scottish Limited Partnerships) compared to those in England, Wales and Northern Ireland. Almost 70% of all Limited Partnerships registered in Scotland have been registered in the last 5 years.

Between 2000/01 and 2009/10, the number of Limited Partnerships registered in Scotland has increased by 63%. Between 2010/11 to 2015/16, Limited Partnerships registered in Scotland increased by 239%.

In 2016, Limited Partnerships registered in Scotland continue to increase sharply, currently by 30% on the previous year, whilst registrations in England, Wales and Northern Ireland are rising by around 5%.

Figure 1: The Number of Limited Partnerships Registered from 2000 to 2015



We would like to better understand the reasons behind the significant increase in Limited Partnerships registered in Scotland and the use of those Partnerships as a corporate entity form, compared to those Limited Partnerships registered in England, Wales and Northern Ireland.

- 1. Does the significant increase in Limited Partnerships registered in Scotland bring a similar increase in economic benefit to Scotland? We would be very grateful for the details of the nature of that benefit.**

Recent allegations

Over the last year there have been a number of media reports that have alleged that some Limited Partnerships registered in Scotland are being used as vehicles for illegal purposes.

There have been media reports that some Limited Partnerships registered in Scotland are also being used as vehicles for money laundering, organised crime and tax evasion. It is alleged that because Limited Partnerships registered in Scotland have their own legal personality. The partners are able to be invisible whilst the entity enters into contracts including opening bank accounts.

It has also been suggested that Limited Partnerships registered in Scotland are being aggressively marketed outside of the UK, with over 95% of Limited Partnerships registered in Scotland not having natural persons as partners. The general partners are companies rather than individuals who are not registered in Scotland or the rest of the UK. This may be correct, but there is no requirement under the 1907 Act for the partners of a limited partnership to provide details of the location of the partners, or the persons who control the partnership. Therefore evidence to support this claim is not easily available.

This allegation goes on to suggest that as the majority of Limited Partnerships registered in Scotland are being run by partners who are unknown to enforcement authorities, it is more difficult for them to take rapid action and investigate due to the difficulty of tracking the individuals behind the entity.

Impact of the allegations

The impact of these allegations has resulted in calls to consider whether the current Limited Partnership framework needs to be reviewed with a view to increasing transparency and reporting requirements, or perhaps by amending some of the legal characteristics of the partnerships.

The UK government recognises that Limited Partnerships are important investment vehicles and may be suitable for other legitimate business purposes but, if there is evidence that they are providing a vehicle for criminal purposes, further regulatory action may need to be considered. We would welcome more evidence about the importance of Limited Partnerships to the economy and specifically, Limited Partnerships registered in Scotland to the Scottish economy. We are especially interested in why these vehicles are preferable to other entities available under UK law.

In addition we would welcome views on what sectors of the economy are particularly well suited to those Limited Partnerships registered in Scotland, rather than those registered in England, Wales and Northern Ireland.

2. **Do you have examples, or specific evidence of why Limited Partnerships registered in Scotland have become more popular in the last 5 years than those Limited Partnerships registered in England, Wales and Northern Ireland?**
3. **What forms of economic activity or sectors of the economy make the most use of those Limited Partnerships registered in Scotland?**
4. **What could the UK government do to reduce the potential of Limited Partnerships registered in Scotland being used as an enabler of criminal activity, whilst retaining some or all of the aspects of those Scottish Limited Partnership structures which are beneficial?**

Importance of transparency

The UK government wants the UK to be an attractive place to do business, but recognises that it is important to have appropriate safeguards and levels of transparency for corporate entities. Transparency is normally associated with limited liability, the quid pro quo for limited liability being the requirement to make certain information related to the corporate entity publically available.

The Companies Act 2006 requires some level of transparency for legal forms, while ensuring that the cost of starting and running a business remains relatively low. These transparency requirements range from registration to reporting requirements throughout the life cycle of the entity. The UK government has recently committed to enhancing some of these transparency requirements in order to tackle tax evasion, money laundering and terrorist financing.

It is important we get the right balance between transparency and burdens that could adversely affect an efficient and flexible company law framework. The UK currently ranks 7th in the World Bank table on “ease of opening and running a business”. Whilst the UK government is committed to improving this ranking, it would suggest that the current requirements of the framework are not deterring company registrations.

In 2016 the UK introduced a register of beneficial ownership known as the Register of People with Significant Control. Limited companies and some other entities which have their own legal personality are required to publish details of people with significant control (for example, those who control over 25% of the total shareholdings). This Register is made available at Companies House. Although Limited Partnerships registered in Scotland are legal entities in their own right, the requirements of the People with Significant Control register do not apply to them.

The People with Significant Control register is a domestic requirement which currently holds centrally, the information for companies, Limited Liability Partnerships and Societates Europaeae.

However, the UK government is committed to implementing Article 30 of the Fourth Money Laundering Directive which requires EU Member States to hold adequate, accurate and current information on the beneficial ownership of corporate and other legal entities incorporated within their territory in a central register.

At the time of enacting the register of People with Significant Control legislation, the focus was on the main corporate forms under company law, so Limited Partnerships registered in Scotland were not considered. The government was aware that the EU, in parallel, was

negotiating a Directive with broader scope and it was likely that some additional corporate forms would be considered.

The Department for Business, Energy and Industrial Strategy issued a separate discussion paper on 3 November 2016 which provided analysis and asked whether a number of legal entities, including Limited Partnerships registered in Scotland, should be subject to the EU Fourth Money Laundering Directive¹.

The link to that document can be found at:

www.gov.uk/government/consultations/implementing-the-fourth-money-laundering-directive-beneficial-ownership-register.

The outcome will be published in the Spring of 2017.

Beyond current proposals to extend the Persons of Significant Control register to Limited Partnerships registered in Scotland, it is still the case that Limited Partnerships and Scottish Limited Partnerships are lightly regulated with very few requirements to publish information relating to the entity or the partners of the entity.

When an application for registration as a Limited Partnership is made the partners must provide the following information:

- the name of the partnership;
- the general nature of the business;
- the name of each of the partners, and the amount of their contribution;
- the address of the proposed principal place of business; and
- the term of the partnership (if any).

There is no requirement to update this information on an annual basis.

The UK government is in the process of introducing a Private Fund Limited Partnership category.

- 5. We would like to know whether this basic information requested at the time of registration should be enhanced and if so what additional information might be useful and why? Should there be a requirement to update it at regular intervals?**
- 6. We would like to also consider what levels of transparency would be appropriate to Limited Partnerships, Private Fund Limited Partnerships and Limited Partnerships registered in Scotland.**
- 7. What are the costs of registering a Limited Partnership/Scottish Limited Partnership under the current regime?**

¹ On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in the future, once the UK has left the EU.

- 8. What would the costs be of enhancing the regime to include more transparency requirements - for example annual reporting of accounts, re-confirming identities of partners or principal place of business?**
- 9. Do you have any evidence that increased regulatory requirements would have an adverse effect on legitimate use of Limited Partnerships registered in England, Wales, Northern Ireland and Scotland?**

There is no general requirement on a Limited Partnership to publish accounts or be audited in its own right. Only those Limited Partnerships to which the Partnership (Accounts) Regulations 2008 apply are required to prepare accounts and reports.

These regulations apply to Limited Partnerships each of whose general partner is:

- a limited company
- an unlimited company each of whose members is a limited company
- a Scottish Partnership which is not a Limited Partnership, each of whose members is a limited company, or
- a Scottish Partnership which is a Limited Partnership, each of whose general partners is a limited company

The members of a Limited Partnership are required to prepare like accounts and reports as companies under Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Members are specifically defined in the Partnership (Accounts) Regulations 2008 for this purpose.

Where a member is a UK limited company, but a comparable undertaking incorporated in a company outside the UK the member is not required to file accounts and reports at Companies House but instead must make the accounts and reports available for inspection at an address in the UK. This must be the Principal Place of Business of the Limited Partnership if that Principle Place of Business is in the UK.

If the Limited Partnership does not have a Principle Place of Business in the UK, but at least one of its members does have a Principle Place of Business or Head Office in the UK then the accounts should be filed at a member's Principle Place of Business or Head Office in the UK nominated by the members. However, if neither the qualifying partnership nor any of its members have a Principle Place of Business or a Head Office in the UK, then the accounts must be filed at the nominated address in the UK.

- 10. We would welcome views on whether this level of transparency is adequate for Limited Partnerships, Private Fund Limited Partnerships and Limited Partnerships registered in Scotland.**

Members of qualifying partnerships are required to prepare accounts and make them available for inspection. We would like to understand whether it would be burdensome to require these accounts to be published and linked more transparently to the particular Limited Partnership or Scottish Limited Partnership on a public register.

- 11. Would this level of transparency have any adverse effects on Limited Partnerships or Limited Partnerships registered in Scotland, and if so, what might they be?**

The role of formation agents

Many partnerships are registered by formation agents. There are no legal requirements determining the legal form of a formation agent. They are often solicitors or accountants, specially formed entities to undertake the role of formation, or an individual. Those firms or sole practitioners whose business, among other things, is to form companies or other legal persons are known as Trust or Company Service Providers.

For the period October 2014 to September 2015 some 3381 Limited Partnerships were registered in Scotland, of which twelve UK- based formation agents registered 2535 (75%) of those.²

For the seven month period from December 2015 to June 2016, the number of Limited Partnerships registered in Scotland was 2878, of which 2376 (82%) were registered by twelve UK based formation agents.³

If the Limited Partnership is using a formation agent, then that agent will be regulated according to its legal form. Therefore if it is a company governed by the Companies Act 2006 it will be required to have a registered office in the UK.

A Trust or Company Service Provider is required to register with HM Revenue & Customs under the Money Laundering Regulations 2007 unless its business is already supervised for money laundering purposes by another specified supervisory body. The Anti-Money Laundering Regulations require firms that provide company formation business services to carry out a range of functions and checks in order to spot suspicious activity and report it to the National Crime Agency.

Most of these firms are regulated by their own professional bodies. The regulations also require those firms to register with HM Revenue and Customs (HMRC) supervises those firms not regulated by a professional body, and advises those firms that are registered on how to comply and undertake supervisory or spot checks on firms. HMRC has the authority to levy fines on non-compliant firms.

There is evidence that suggests that some formation agents may be registering Limited Partnerships in Scotland which are then undertaking criminal activities.

Any potential breach of the Money Laundering Regulations by a formation agent supervised by HMRC can be investigated by HMRC and if appropriate penalties imposed.

- 12. Given that formation agents are already subject to money laundering regulations, should there be any additional requirements placed on these entities? If so, what should these be?**

² Companies House

³ Companies House

Principal place of business (PPOB)

The Principal Place of Business will usually be the place where the Limited Partnership has its administrative headquarters from which the central management and control of the Limited Partnership is performed.

Although the 1907 Act is silent on whether the Principle Place of Business must remain in the UK once the Limited Partnership has been established, it has become accepted practice for the Principle Place of Business to be relocated outside of the UK.

This is in contrast to the majority of entities governed by the Companies Act 2006 which are required to have a Registered Office which remains in the UK. The purpose of a Registered Office is to make documents available for inspection and for the service of legal documentation.

In addition, the Registered Office connects and retains the connection of the entity specifically to the UK as the country in which the entity is incorporated, even though the entity might be carrying out the majority of its activities in another jurisdiction. The Registered Office also ensures that the entity is regarded as a UK resident for tax purposes.

As highlighted in the allegations made against these entities, it is suggested that law enforcement would be improved if Limited Partnerships and Limited Partnerships registered in Scotland were required to maintain a presence in the UK. Alternatively perhaps, the partners should be required to maintain a presence in the UK.

- 13. Why is it important for a Limited Partnership or Limited Partnership registered in Scotland to be able to move all of its activities outside of the UK whilst still being governed by UK legislation?**
- 14. What benefit does a UK registered Limited Partnership or a Limited Partnership registered in Scotland bring to the UK if its Principle Place of Business and all its activities are outside of the UK?**
- 15. What would be the impact of requiring a Limited Partnership or a Limited Partnership registered in Scotland to maintain some form of presence within the UK at all times?**

Ending a Partnership

In the event of the dissolution of a Limited Partnership or a Limited Partnership registered in Scotland, the general partners must wind up its affairs unless a court orders otherwise.

There is no requirement to notify Companies House when a Limited Partnership or Limited Partnership registered in Scotland is wound up. If a partner does send Companies House notification of dissolution it will be accepted, and the information will be placed on the register, however, the name of the Limited Partnership or Limited Partnership registered in Scotland will remain on the live business index.

It is important to the UK government to ensure that the Register is as up to date as possible. The current situation where dissolved Limited Partnerships and Limited Partnerships registered in Scotland are not automatically removed from the register means that the register is not always accurate. This can lead to confusion for those third parties interrogating the Register.

The UK government previously consulted on the possibility of introducing a procedure to strike off dissolved Limited Partnerships and dissolved Limited Partnerships and dissolved Limited Partnerships registered in Scotland from the register. Respondents agreed that introducing a strike off procedure would be positive for industry, but there were concerns that limited partners in legitimate Limited Partnerships and Limited Partnerships registered in Scotland may lose their limited liability if a Limited Partnership or Limited Partnership registered in Scotland were to be struck off the register without their knowledge.

- 16. We would also be interested in views on whether a Limited Partnership or Limited Partnership registered in Scotland should be struck off the register if there are convictions against the partners or the entity for illegal activity.**
- 17. The UK government would also welcome views on the real impact of striking off a legitimate Limited Partnership or Limited Partnership registered in Scotland without the knowledge of the partners and what could be done to mitigate any adverse impact.**

7. Call for Evidence questions

1. Does the significant increase in Limited Partnerships registered in Scotland bring a similar increase in economic benefit to Scotland? We would be very grateful for the details of the nature of that benefit.
2. Do you have examples, or specific evidence of why Limited Partnerships registered in Scotland have become more popular in the last 5 years than those Limited Partnerships registered in England, Wales and Northern Ireland?
3. What forms of economic activity or sectors of the economy make the most use of those Limited Partnerships registered in Scotland?
4. What could the UK government do to reduce the potential of Limited Partnerships registered in Scotland being used as an enabler of criminal activity, whilst retaining some or all of the aspects of Scottish Limited Partnership structures which are beneficial?
5. We would like to know whether this basic information requested at the time of registration should be enhanced and if so what additional information might be useful and why? Should there be a requirement to update it at regular intervals?
6. We would like to also consider what levels of transparency would be appropriate to Limited Partnerships, Private Fund Limited Partnerships and Limited Partnerships registered in Scotland?
7. What are the costs of registering a Limited Partnership /Scottish Limited Partnership under the current regime?
8. What would the costs be of enhancing the regime to include more transparency requirements - for example annual reporting of accounts, re-confirming identities of partners or principal place of business?
9. Do you have any evidence that increased regulatory requirements would have an adverse effect on legitimate use of Limited Partnerships registered in England, Wales, Northern Ireland and Scotland?
10. We would welcome views on whether this level of transparency is adequate for Limited Partnerships, Private Fund Limited Partnerships and Limited registered in Scotland.
11. Would this level of transparency have any adverse effects on Limited Partnerships or Limited Partnerships registered in Scotland, and if so, what might they be?
12. Given that formation agents are already subject to money laundering regulations, should there be any additional requirements placed on these entities? If so, what should these be?
13. Why is it important for a Limited Partnership or Limited Partnership registered in Scotland to be able to move all of its activities outside of the UK whilst still being governed by UK legislation?

- 14. What benefit does a UK registered Limited Partnership or a Limited Partnership registered in Scotland bring to the UK if its Principle Place of Business and all of its activities are outside of the UK?**
- 15. What would be the impact of requiring a Limited Partnership or Limited Partnership registered in Scotland to maintain some form of presence within the UK at all times?**
- 16. We would also be interested in views on whether a Limited Partnership or a Limited Partnership registered in Scotland should be struck off the register if there are convictions against the partners or the entity for illegal activity.**
- 17. The UK government would also welcome views on the real impact of striking off a legitimate Limited Partnership or Limited Partnership registered in Scotland without the knowledge of the partners and what could be done to mitigate any adverse impact.**

8. What happens next?

We will consider all the information presented as part of this Call for Evidence when determining what, if any, further action may be required. Any formal proposals related to amendments of the Limited Partnerships Acts will be subject to further consultation and full Parliamentary scrutiny.

Annexes

Annex A: Legal and Regulatory Framework

The Law Commission and the Scottish Law Commission: Partnership Law

http://www.lawcom.gov.uk/wp-content/uploads/2015/03/lc283_Partnership_Law.pdf

The Partnership Act 1890

<http://www.legislation.gov.uk/ukpga/Vict/53-54/39/contents>

The Limited Partnership Act 1907

<http://www.legislation.gov.uk/ukpga/Edw7/7/24/contents>

Annex B: Recent media reports related to Scottish Limited Partnerships

Crackdown on tax haven firms after Herald investigation

www.heraldscotland.com/news/homenews/14907893.Crackdown_on_tax_havens_after_Herald_investigation/

Unregulated web cash transfer systems 'using Edinburgh shell companies as fronts'

www.heraldscotland.com/news/homenews/14888519.Unregulated_web_cash_transfer_systems_using_Edinburgh_shell_companies_as_fronts/

Theresa May urged to crack down on criminal SLPs

www.heraldscotland.com/news/14839626.Theresa_May_urged_to_crack_down_on_criminal_SLPs/

Scottish Limited Partnerships used by criminals, warns SNP's Angus Robertson

www.heraldscotland.com/news/homenews/14838556.Scottish_Limited_Partnerships_used_by_criminals_warns_SNP_s_Angus_Robertson/

Scam financial gambling sites are fronted by Scots shell firms

www.heraldscotland.com/news/14826791.Scam_financial_gambling_sites_are_fronted_by_Scots_shell_firms/

Bid for talks to stop gangsters' zero-tax firms

www.heraldscotland.com/news/14877942.Bid_for_talks_to_stop_gangsters_zero_tax_firms/

Annex C: Recent initiatives related to Limited Partnerships

Consultation: Proposal to use a Legislative Reform Order to change partnership legislation on collective investment schemes

www.gov.uk/government/consultations/consultation-proposal-to-use-a-legislative-reform-order-to-change-partnership-legislation-on-collective-investment-schemes

Consultation: Partnership taxation: proposals to clarify tax treatment

www.gov.uk/government/uploads/system/uploads/attachment_data/file/544520/Partnership_taxation-proposals_to_clarify_tax_treatment.pdf

Consultation: Transposition of the Fourth Money Laundering Directive

www.gov.uk/government/consultations/transposition-of-the-fourth-money-laundering-directive

Discussion paper: Implementation of the Fourth Money Laundering Directive: transposition of Article 30 - beneficial ownership of corporate and other legal entities

www.gov.uk/government/consultations/implementing-the-fourth-money-laundering-directive-beneficial-ownership-register

Annex D: List of organisations and individuals consulted

This Call for Evidence has been sent to organisations and individuals that represent the following sectors:

- Legal
- Academia
- Accountancy
- Professional and Regulatory Bodies
- Finance, Private Investment and Venture Capitalist Industry
- Civil Society
- Government Departments, and
- Other Interested Parties

A full list of consultees is available on request from:

ReviewofLimitedPartnershipLaw@beis.gov.uk.

Annex E: Response form

The call for evidence is available at: www.gov.uk/government/consultations/review-of-limited-partnership-law-call-for-evidence.

The closing date for responses is **17 March 2017**.

Please return completed forms to:

Elayne Carr
The Business Frameworks Team
Department for Business, Energy and Industrial Strategy
1 Victoria Street
Westminster
London
SW1P 0EH

Email: ReviewofLimitedPartnershipLaw@beis.gov.uk

Please be aware that we intend to publish all responses to this Call for Evidence.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes. Please see [section 4](#) for further information.

If you want information, including personal data, that you provide to be treated as confidential, please explain to us below why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we shall take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

I want my response to be treated as confidential

Comments:

Questions

Name:

Organisation (if applicable):

Address:

Please select which best describes you or your organisation:

	Respondent type
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe)

- 1. Does the significant increase in Limited Partnerships registered in Scotland bring a similar increase in economic benefit to Scotland?**

We would be very grateful for the details of the nature of that benefit.

Comments:

- 2. Do you have examples, or specific evidence of why Limited Partnerships registered in Scotland have become more popular in the last 5 years than those Limited Partnerships registered in England, Wales and Northern Ireland?**

Comments:

- 3. What forms of economic activity or sectors of the economy make the most use of those Limited Partnerships registered in Scotland?**

Comments:

- 4. What could the UK government do to reduce the potential of Limited Partnerships registered in Scotland being used as an enabler of criminal activity, whilst retaining some or all of the aspects of Scottish Limited Partnership structures which are beneficial?**

Comments:

- 5. We would like to know whether this basic information requested at the time of registration should be enhanced and if so what additional information might be useful and why?**

Should there be a requirement to update it at regular intervals?

Comments:

- 6. We would like to also consider what levels of transparency would be appropriate to Limited Partnerships, Private Fund Limited Partnerships and Limited Partnerships registered in Scotland?**

Comments:

- 7. What are the costs of registering a Limited Partnership /Scottish Limited Partnership under the current regime?**

Comments:

- 8. What would the costs be of enhancing the regime to include more transparency requirements - for example annual reporting of accounts, re-confirming identities of partners or principal place of business?**

Comments:

- 9. Do you have any evidence that increased regulatory requirements would have an adverse effect on legitimate use of Limited Partnerships registered in England, Wales, Northern Ireland and Scotland?**

Comments:

- 10. We would welcome views on whether this level of transparency is adequate for Limited Partnerships, Private Fund Limited Partnerships and Limited registered in Scotland.**

Comments:

- 11. Would this level of transparency have any adverse effects on Limited Partnerships or Limited Partnerships registered in Scotland, and if so, what might they be?**

Comments:

- 12. Given that formation agents are already subject to money laundering regulations, should there be any additional requirements placed on these entities?
If so, what should these be?**

Comments:

- 13. Why is it important for a Limited Partnership or Limited Partnership registered in Scotland to be able to move all of its activities outside of the UK whilst still being governed by UK legislation?**

Comments:

14. What benefit does a UK registered Limited Partnership or a Limited Partnership registered in Scotland bring to the UK if its Principle Place of Business and all of its activities are outside of the UK?

Comments:

15. What would be the impact of requiring a Limited Partnership or Limited Partnership registered in Scotland to maintain some form of presence within the UK at all times?

Comments:

16. We would also be interested in views on whether a Limited Partnership or a Limited Partnership registered in Scotland should be struck off the register if there are convictions against the partners or the entity for illegal activity.

Comments:

17. The UK government would also welcome views on the real impact of striking off a legitimate Limited Partnership or Limited Partnership registered in Scotland without the knowledge of the partners and what could be done to mitigate any adverse impact.

Comments:

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BEIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No



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www.gov.uk/government/consultations/review-of-limited-partnership-law-call-for-evidence

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ReviewofLimitedPartnershipLaw@beis.gov.uk