

## **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. Perhaps the ideal structure is to have a US Limited Liability Company be the General Partner with a non-economic interest in the Limited Partner, a Bahamas Trust would then be the primary 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 through the US LLC. Under this system, if the client was a non-resident and owned 100% of the US LLC (another “disregarded” tax entity) the client would not be obligated to pay taxes on the income of the UK LP as long as the source of the LP income is not

considered US Source Income. This of course presumes that the remaining 99% Limited Partnership interest is owned by a PROPERLY STRUCTURED non-US entity such as the Bahamas Trust.

Perhaps the cheapest and easiest way to use the UK LP is to obtain only the UK LP, retain the services of our nominee General Partner and name yourself as the Limited Partner. The advantages of this system could be an ease in obtaining access to European and US 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.

**NOTE FOR US CITIZENS/RESIDENTS:**

There has been a growing number of individuals who reside in the USA or who are US citizens contacting us asking, "How can this system work for me?" It is possible to arrange the system in such a way as to give residents and citizens of the USA the same benefits as those described herein. However, it is very important that the system be established with great care. We encourage you to contact us in order to arrange a private evaluation with one of our licensed US attorneys.

**List of Additional Services**

- C 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.) \$1,000.00 US
- C Company Paypal Account facilitation. \$250 USD
- C Virtual Office Headquarters including mail drop and fax number. Contact us for more information.
- C A detailed legal evaluation and legal advisory regarding tax structure and status of US LLC. \$2,500.00 US and up
- C Telephone line with voice mail. Please contact us for more information.
- C Internet Services such as web-hosting and emails. Varies
- C Application to establish whole life insurance policy with paid up premium, or annuity. Varies

