

LIMITED LIABILITY PARTNERSHIPS (LLP)

Singapore Limited Liability Partnerships Act was enacted on 11 April 2005. LLPs are administered by Accounting and Corporate Regulatory Authority (ACRA). The main reason for allowing LLP is to allow businesses to have a business vehicle that is in between the spectrum of a company and a partnership.

LLP is a legal person distinct from its owners and enjoys limited liability protection, like any company. LLP allows perpetual succession and is allowed to own properties. However, being a partnership, an LLP, unlike a company, can determine its own version of profit sharing structure, decision making structure and terms of conditions governing the partners in their own private agreement. LLP Act is crafted with small business entities concepts in the LLP Act. LLP is suitable for small businesses and new start ups where frequent capital flows are common.

Partners of LLP can be any legal persons. For tax purpose, although an LLP is a separate corporate body, Inland Revenue Authority of Singapore (IRAS) is treating an LLP as a partnership. Hence, share of profits in LLP will be taxable in the hands of the partners at the partners' respective tax rates, and a LLP is not liable for tax.

An existing partnership or a company can be converted into a LLP.

As a LLP is a partnership, it will require at least 2 partners. When there is only 1 partner left, the remaining partner will be given 2 years to look for a new partner, failing which the sole remaining partner shall assume unlimited liability incurred after the end of the grace period.

LLP does not have to file annual accounts like a company. A statement of solvency has to be filed with ACRA annually to declare the ability of the LLP to pay its debts. This statement is the responsibility of a statutory appointed "LLP Manager", who can also be a partner of the LLP. A LLP Manager cannot be an undischarged bankrupt or a disqualified person under the LLP Act. LLP manager is a person who takes part in management of the LLP and must be an ordinary resident in Singapore.

A traditional partnership does not have to file any annual returns with ACRA.

LLP has to keep proper accounts which comply with accounting standards.

Negligent partners of LLP can still be sued by creditors with no limited liability protection.

LLP has to be wound up like a company i.e via striking off or through liquidation. In a liquidation process, creditors can 'crawl-back' profits which have been distributed to the partners within 3 years from liquidation to satisfy their debts.