



Finance Act 2001

2001 CHAPTER 9

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

OTHER PROVISIONS

Limited liability partnerships

75 Limited liability partnerships: general

- (1) For section 118ZA of the Taxes Act 1988 (treatment of limited liability partnerships) substitute—

“118ZA Treatment of limited liability partnerships

- (1) For the purposes of the Tax Acts, where a limited liability partnership carries on a trade, profession or other business with a view to profit—
- (a) all the activities of the partnership are treated as carried on in partnership by its members (and not by the partnership as such),
 - (b) anything done by, to or in relation to the partnership for the purposes of, or in connection with, any of its activities is treated as done by, to or in relation to the members as partners, and
 - (c) the property of the partnership is treated as held by the members as partnership property.

References in this subsection to the activities of the limited liability partnership are to anything that it does, whether or not in the course of carrying on a trade, profession or other business with a view to profit.

- (2) For all purposes, except as otherwise provided, in the Tax Acts—

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- (a) references to a partnership include a limited liability partnership in relation to which subsection (1) above applies,
 - (b) references to members of a partnership include members of such a limited liability partnership,
 - (c) references to a company do not include such a limited liability partnership, and
 - (d) references to members of a company do not include members of such a limited liability partnership.
- (3) Subsection (1) above continues to apply in relation to a limited liability partnership which no longer carries on any trade, profession or other business with a view to profit—
- (a) if the cessation is only temporary, or
 - (b) during a period of winding up following a permanent cessation, provided—
 - (i) the winding up is not for reasons connected in whole or in part with the avoidance of tax, and
 - (ii) the period of winding up is not unreasonably prolonged, but subject to subsection (4) below.
- (4) Subsection (1) above ceases to apply in relation to a limited liability partnership—
- (a) on the appointment of a liquidator or (if earlier) the making of a winding-up order by the court, or
 - (b) on the occurrence of any event under the law of a country or territory outside the United Kingdom corresponding to an event specified in paragraph (a) above.”
- (2) In the Taxation of Chargeable Gains Act 1992 (c. 12), for section 59A (limited liability partnerships) substitute—

“59A Limited liability partnerships

- (1) Where a limited liability partnership carries on a trade or business with a view to profit—
- (a) assets held by the limited liability partnership are treated for the purposes of tax in respect of chargeable gains as held by its members as partners, and
 - (b) any dealings by the limited liability partnership are treated for those purposes as dealings by its members in partnership (and not by the limited liability partnership as such);
- and tax in respect of chargeable gains accruing to the members of the limited liability partnership on the disposal of any of its assets shall be assessed and charged on them separately.
- (2) For all purposes, except as otherwise provided, in the enactments relating to tax in respect of chargeable gains—
- (a) references to a partnership include a limited liability partnership in relation to which subsection (1) above applies,
 - (b) references to members of a partnership include members of such a limited liability partnership,

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- (c) references to a company do not include such a limited liability partnership, and
 - (d) references to members of a company do not include members of such a limited liability partnership.
 - (3) Subsection (1) above continues to apply in relation to a limited liability partnership which no longer carries on any trade or business with a view to profit—
 - (a) if the cessation is only temporary, or
 - (b) during a period of winding up following a permanent cessation, provided—
 - (i) the winding up is not for reasons connected in whole or in part with the avoidance of tax, and
 - (ii) the period of winding up is not unreasonably prolonged, but subject to subsection (4) below.
 - (4) Subsection (1) above ceases to apply in relation to a limited liability partnership—
 - (a) on the appointment of a liquidator or (if earlier) the making of a winding-up order by the court, or
 - (b) on the occurrence of any event under the law of a country or territory outside the United Kingdom corresponding to an event specified in paragraph (a) above.
 - (5) Where subsection (1) above ceases to apply in relation to a limited liability partnership with the effect that tax is assessed and charged—
 - (a) on the limited liability partnership (as a company) in respect of chargeable gains accruing on the disposal of any of its assets, and
 - (b) on the members in respect of chargeable gains accruing on the disposal of any of their capital interests in the limited liability partnership,it shall be assessed and charged on the limited liability partnership as if subsection (1) above had never applied in relation to it.
 - (6) Neither the commencement of the application of subsection (1) above nor the cessation of its application in relation to a limited liability partnership shall be taken as giving rise to the disposal of any assets by it or any of its members.”.
- (3) In Chapter 2 of Part 5 of the Taxation of Chargeable Gains Act 1992 (c. 12) (relief for gifts of business assets), after section 169 insert—

“169A Cessation of trade by limited liability partnership

- (1) This section applies where section 59A(1) ceases to apply to a limited liability partnership.
- (2) A member of the partnership who immediately before the time at which section 59A(1) ceases to apply holds an asset, or an interest in an asset, acquired by him—
 - (a) on a disposal to members of a partnership, and
 - (b) for a consideration which is treated as reduced under section 165(4)(b) or 260(3)(b),

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shall be treated as if a chargeable gain equal to the amount of the reduction accrued to him immediately before that time.”

- (4) In section 170(9) of the Taxation of Chargeable Gains Act 1992 (groups of companies: meaning of “company”), in paragraph (b) after “company” insert “(other than a limited liability partnership)”.
- (5) Subsection (3) above shall be deemed to have come into force on 3rd May 2001 and applies where section 59A(1) of the Taxation of Chargeable Gains Act 1992 ceased or ceases to apply as mentioned in section 169A of that Act (as inserted by that subsection) on or after that date.
- (6) The other provisions of this section shall be deemed to have come into force on 6th April 2001.