

LLP GUIDANCE TOO LITTLE, TOO LATE

The wide ranging rule changes for the way Limited Liability Partnerships (LLPs) are taxed are almost upon us and understandably a fair amount of angst is being caused by the last minute nature of the guidance. From the guidance it appears certain that firms will be forced to reassess the way in which their partnerships are structured, the way their people are remunerated and who from their ranks might be caught.

Once firms have established all of the above, they then have to act on it, making those 'deemed salaried partners' either a full partner or an employee, all this by 6 April 2014!

For many partnerships, the preferred route, to avoid the problem is to ask salaried partners to place more capital in the business.

HMRC guidance that was released at the end of February 2014 and gives examples of permutations for what constitutes a partner in their view. Although helpful to practitioners, the guidance is too little, too late, with the 6 April 2014 now less than four weeks away.



The only relaxation to be made by the authorities is that, providing by 6 April 2014 there is an unconditional requirement for partners to contribute capital funding and that capital funding is actually in place within three months of 6 April 2014, then this will count. Similarly, there is relaxation time-wise for new partners who join after 6 April 2014; they will have two months to introduce capital and be outside the employee classification.