Tax information for	**United Kingdom**
Applicable to	**Limited Partnerships**
Last review	**March 2021**

General		
1	Background	English Limited Partnerships (‘*ELPs*’) are established under the Limited Partnership Act 1907 (as amended). An ELP must be established between two or more persons to carry on a business in common with a view of profit. An ELP will have two types of partners: ***General Partner(s) (‘GP’)*** – who has the responsibility to manage the ELP’s business and unlimited liability for the partnership’s debts and obligations. An ELP can have more than one GP. ***Limited Partner(s) (‘LP’)*** – an ELP may have one or more LPs who will provide capital and will not participate in the management of the partnership and their liability will be limited up to the amount of their required capital as stipulated in the partnership agreement. Scottish Limited Partnerships (‘*SLPs*’) are also established under the Limited Partnership Act 1907 and registered in Scotland with their principal place of business situated in Scotland. However, such partnerships have a different legal status (see below). ELPs are most commonly used for fund structuring across various asset classes including investment in UK real estate by non-resident investors. The use of SLPs is generally limited to structuring of carry, co-investment and feeder fund arrangements. Since 6 April 2017, a new form of private fund limited partnership (“PFLP”) fund structure has also been available. A PFLP is not authorised to be promoted to retail consumers. The PFLP structure is designed to reduce some of the administrative and financial burdens of the classic ELP structure. Other jurisdictions such as Luxemburg and the Channel Islands have flexible fund structures and the PFLP structure ensures the UK remains an attractive domicile for funds The key differences between a PFLP and an ELP are as follows: • LPs in a PFLP are not required to contribute capital or property to the PFLP and if they do contribute capital or property, they may withdraw it without being liable for debts and obligations to the amount withdrawn; • LPs in a PFLP may undertake certain activities (as per the non-exhaustive list) without taking part in management and so not to forfeit its limited liability status; • limited notification and advertising requirements of changes in a PFLP;

		• LPs do not have to comply with duties to render accounts and account for profits from competing businesses; and • LPs may make a decision whether to wind up the PFLP where there are no general partners and may nominate a third party to wind up the PFLP on their behalf
2	Legal form	ELPs have no legal personality whereas SLPs have a separate legal personality. Unless stated otherwise, all references to ELPs in this note include SLPs
Tax treatment		
3	Tax status	For UK tax purposes, ELPs are treated as tax transparent for income tax as well as for capital gains tax purposes.
4	Tax treatment at entity level	ELPs are not subject to income tax and/or capital gains tax. ELPs are required to file UK partnership tax returns for each tax year that will include an allocation of taxable income and capital proceeds realised by the ELPs to the LPs based on their respective profit-sharing ratios.
5	Tax treatment of investors	Any UK tax liability arising on the allocated taxable income and capital gains of the ELPs will be included in the respective LP's UK tax return and any tax arising on that income and capital gains will be paid by the LP based on its UK tax profile. For UK resident corporate LPs income and gains are subject to corporation tax at 19% (expected to increase to 25% from April 2023). For UK resident LPs which are individuals or trusts, income is subject to income tax at up to 45% and gains are subject to capital gains tax at up to 28%. Since 6 April 2019 capital gains arising from disposals of UK property and certain UK property rich shares held by an ELP have been subject to UK tax on non-UK resident LPs. Note that only capital gains attributable to changes in value from April 2019 are subject to UK tax on non-UK resident LPs due to the application of the rebasing provisions (except in respect of certain residential property to which April 2015 rebasing may apply). Gains are subject to UK corporation tax at 19% (expected to increase to 25% from April 2023) for non-UK resident corporate LPs, and to capital gains tax, at up to 28%, for LPs which are non-UK individuals or trusts. Prior to 6 April 2020, rental income received by non-UK resident LPs was subject to UK income tax at 20%. This continues for individuals and trusts, but rental income received by non-UK resident corporate LPs has been subject to corporation tax at 19% from 6 April 2020 (expected to increase to 25% from April 2023).
6	Treaty status	No access to treaties; however, in view of the tax transparent nature of the ELPs, the LPs may be able to access treaty relief.
7	EU tax directive status	None
8	Withholding tax	UK withholding tax at 20% may potentially apply to rents received by the ELP (on behalf of non-UK resident LPs) and in respect of interest paid by the ELP to non-UK resident lenders. In the case of UK source rental income, the tenants or agents will be required to withhold UK

		withholding tax unless the non-UK resident LPs register under the non-resident landlords scheme ('NRLS') to receive rental income gross. By so registering, non-UK resident LPs undertake to submit UK tax returns and pay UK tax in respect of their net rental income. In the case of UK source interest being paid via the GPto a non-UK resident lender, 20% withholding tax should be deducted, unless advantage can be taken by the non-UK resident LPs of a double tax treaty to reduce or eliminate the withholding tax.
Requirements		
9	Minimum level of investment	None unless stipulated otherwise in an investment offering or other similar document(s).
10	Filing obligations	See above "Tax treatment at entity level" in respect of the partnership return. In addition, the LPs and the GP will also have UK tax filing obligations in respect of their respective shares of income and gains.
11	Investor requirements / obligation	UK tax filing and payment obligations in respect of income and gains.
12	Entity qualification requirements	None
13	Activity limitations	None
14	Regulation	Funds established as ELPs will generally fall within the definition of a collective investment scheme ('CIS') under the Financial Services and Markets Act 2000 ('FSMA'). If an ELP has a GP located in the UK or if a UK based manager (operator) is appointed to operate the partnership, then that entity will be operating a CIS (i.e. the ELP) and this will require the entity to be authorised by the Financial Conduct Authority ('FCA'). For application of the Alternative Investment Fund Managers Directive ('AIFMD') to ELPs, please refer to the UK Regulatory Information note.
Pros & Cons		
15	Pros	Most commonly used structure
		Well known and understood by global investors
		Tax transparent and no tax at the partnership level
		Open or close ended
		Liability of the LPs is limited to the amount of the committed capital
		No minimum requirement to invest
		No investor or investment diversification requirements
		No subscription tax for new capital (but see below)

		Not likely to be treated as an offshore fund for the purpose of the UK's reporting fund tax regime
16	Cons	An ELP can only be managed by a GP and this may cause issues with certain types of investors who desire to keep some level of control over operations and decisions relating to the partnership business (see PFLP which may address some of the concerns)
		Risk of limited liability of the LPs being removed if LPs were to get involved in management and operation of the ELP (see PFLP which may address some of the concerns)
		Disposal by the ELP will trigger UK tax filing and payment and payment obligations at investor level.
		Changes in the profit-sharing ratio on admittance or retirement of partners could result in a deemed disposal for the remaining partners.
		If used as a UK property investment platform, changes in partners and/or profit and loss sharing ratios could result in a charge to Stamp Duty Land Tax

Contact details: Richard Williams, richard.x.williams@pwc.com Paul Emery, paul.emery@pwc.com