

LIMITED PARTNERSHIP
ESTABLISHMENT GUIDE

Consortium
INVESTMENT MANAGEMENT

LIMITED PARTNERSHIP ESTABLISHMENT GUIDE

What is a Limited Partnership?

A limited partnership is a flexible onshore investment vehicle that provides investors with limited liability. It is not a taxable entity, so it can be a good way to combine investment from tax-exempt entities like pension funds with other taxable investors.

Companies, trusts, LLPs, pension schemes and individuals from the UK or overseas can invest in a limited partnership.

Limited partnerships can hold a wide range of assets and are commonly used throughout the fund industry. In the UK, limited partnerships are governed by the Limited Partnerships Act 1907.

How Do Limited Partnerships Work?

Limited partnerships consist of two types of limited partner:

- 1. A General partner**, responsible for management and has unlimited liability, and
- 2. Limited partners**. These, generally speaking, are the investors. They have limited liability and don't take part in day-to-day management of the partnership.

The rules governing a particular limited partnership are set out in its limited partnership agreement that binds the general partner and the investing limited partners. Details of the partnership and limited information on its investors are registered at Companies House.

Most limited partnerships are collective investment schemes and alternative investment funds under UK law. Broadly, this means they must be run by an FCA regulated firm such as Consortium, that has permission to operate collective schemes and/or act as manager of alternative investment funds.

Limited Partnership legislation has recently been revised to allow the creation of a more modern, investor-friendly partnership vehicle called a private fund limited partnership. The new regime has clarified that limited partners can be involved with some partnership business, for example by voting on whether to sell an asset, without losing limited liability protection. This is especially important for funds that borrow money to invest, as property funds typically do.

Can Pensions Invest In Limited Partnerships?

Personal pension schemes (such as SIPPs, SSASs, QROPs and QNUPs) can invest in limited partnerships. Pension trustees often prefer to invest via an exempt unauthorised unit trust (or EUUT sometimes referred to as EPUT). An EUUT is tax-exempt and only tax-exempt investors are permitted to hold units in it. EUUTs can be used as "feeder funds" into limited partnerships to allow both taxable and tax-exempt sources to invest together in a cost-effective and tax-efficient way.

How Does Consortium Use Limited Partnerships?

Consortium has been establishing limited partnerships and EUUTs since 2003, meaning that we are familiar with the processes and documents involved. We provide services to businesses or individuals who want to combine their own resources, or raise money from external investors, to invest in a particular project.

We specialise in operating limited partnerships for property investment and have also been involved in a wide range of transactions.

When we establish a property fund, we act as the FCA regulated operator, leaving our clients to focus on their own area of expertise, such as advising the fund on its real estate assets and marketing the fund to eligible investors. Firms do not need to be regulated by the FCA to take on these roles. Firms can also take the alternative investment fund manager role by registering with the FCA – which is not the same as becoming regulated – provided a regulated fund operator is involved.

Marketing unregulated investment funds is restricted by law and they are generally suitable only for sophisticated and high net worth investors. We can provide more detailed information and guidance to clients who need assistance in this area and can also arrange specialist legal advice where necessary.

We offer clients a variety of services, such as preparing and approving financial promotions, taking in money from investors, acting as the regulated operator and/or the alternative investment fund manager of the LP and providing related management, accountancy and support services. We can also source suitable property investments if required. Details of the individual services we offer are at the end of this document.

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What Can Limited Partnerships Invest In?

Limited partnerships can:

- Acquire and hold commercial property
- Fund development of commercial or residential property
- Invest in residential property (this can include personal pension money, as long as certain conditions as to fund value and concentration of assets and ownership are met)
- Hold property in the UK or overseas
- Make secured loans to invest in property acquisitions or developments
- Hold property assets either directly or through intermediate holding vehicles

Borrowing

There are no borrowing restrictions for limited partnerships. Commercial factors will impact what lenders are willing to provide.

Tax

Limited partnerships are fiscally transparent and do not suffer tax themselves. Limited partners are taxed on their share of the partnership's income and gains and report this information on their self-assessment tax returns. Consortium will provide tax return information, including as to any available allowances.

Limited partnerships that hold commercial property will typically benefit from being registered for VAT. Consortium manages this process, and ongoing VAT administration.

Consortium can provide the following services:

- Act as the FCA regulated operator
- Act as alternative investment fund manager
- Prepare and approve information memorandums and other fund promotional material
- Provide template fund agreements
- Establish limited partnerships and register them at Companies House
- Establish EUUTs as feeder funds (or as standalone investment vehicles)
- Provide companies to act as general partner or as asset holding subsidiaries
- Establish and operate bank accounts for the fund
- Deal with applications, maintain an investor register and liaise with and report to investors on an ongoing basis
- Advise on appropriate sources of debt funding, and on suitable third party service providers such as lawyers or property managers
- Prepare accounts, deal with auditors where necessary, and prepare and submit tax returns for funds.
- Deal with VAT registration and administration

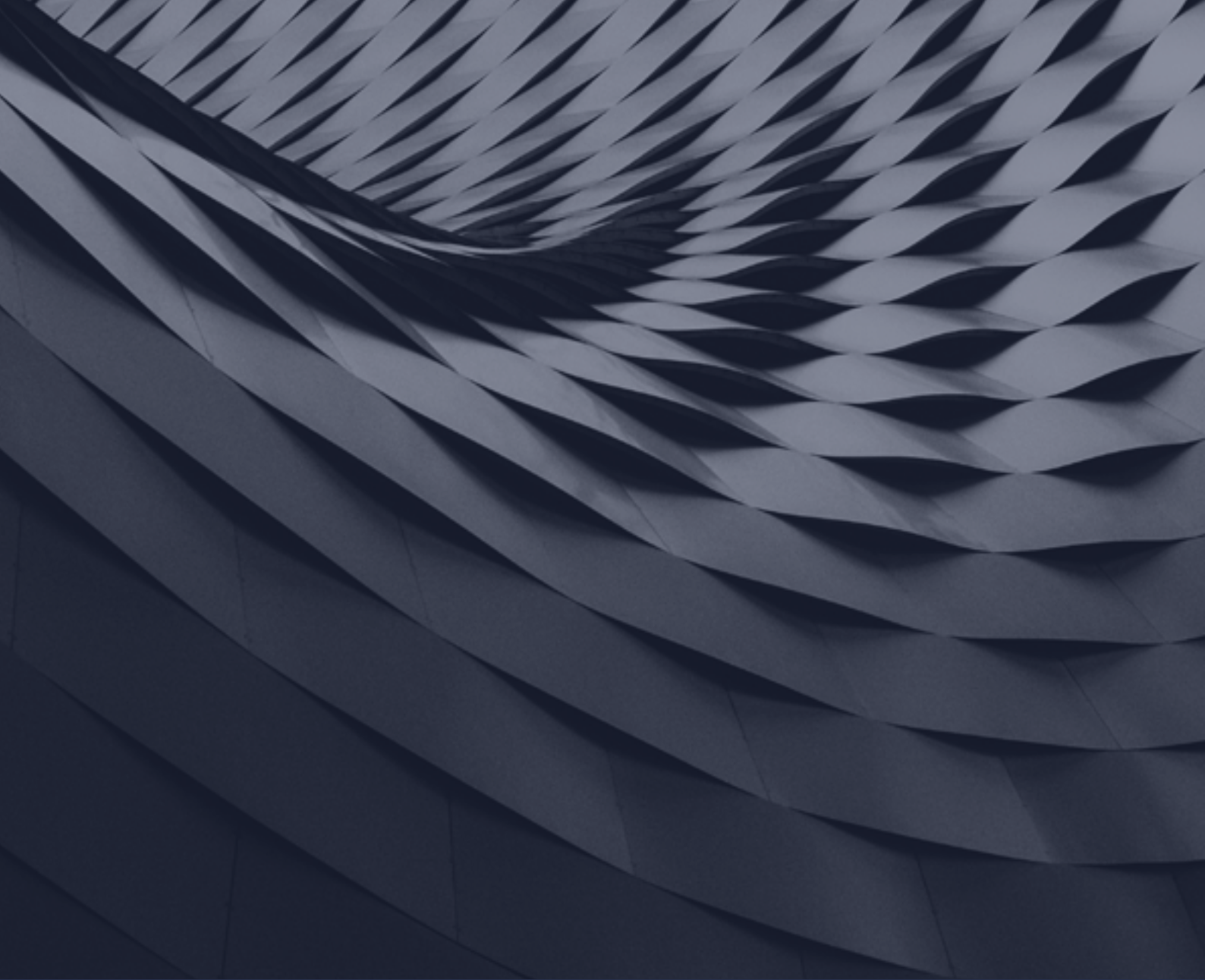
If you would like to discuss any of our services then please visit www.consortium-im.com or call us on **+44 (0)207 7437 0200**.

IMPORTANT NOTICE

This guide is intended to provide a general overview of law and practice relating to English limited partnerships as investment funds. Its purpose is to provide information and raise awareness of Consortium's activities and it should not be construed as legal or taxation advice nor as an invitation to engage in regulated investment activities.

Note that taxation law and practice are subject to change and investors should seek independent advice on their personal circumstances.

If you have any questions, please call **+44 (0)20 7437 0200**, or visit www.consortium-im.com.



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