

## What trading vehicle do I need? - Partnership Comparison Matrix

Vehicle	General Partnership	Limited Liability Partnership
Legal Status	A partnership is a legal entity that is created by two or more persons who agree to pool their resources together to carry on a business. The partnership is not a separate legal entity from the individuals who own it. The partnership is liable for its own debts and obligations.	An LLP is a separate legal entity. Participants are known as 'members' not 'partners'. The LLP owns the assets of the business, and is liable for its own debts. The ownership and management can be kept separate if desired but, like a partnership, is often the same.  An LLP has unlimited capacity; it can hold property, enter into contracts, borrow and lend money and sue and be sued. An LLP is often described as a hybrid vehicle between a limited liability company and a partnership.
Governing Legislation	Partnership Act 1890	Limited Liability Partnership Act 2000 (LLPA 2000).  Regulations 2001, 2008 and 2009
Simply-Docs Documents	Basic or Long Form Partnership Agreement	Basic or Long Form Limited Liability Partnership Agreement
Who can be a Partner or Member & what is their status?	Partnership can be formed by two or more persons who agree to pool their resources together to carry on a business. The partnership is not a separate legal entity from the individuals who own it. The partnership is liable for its own debts and obligations.	Members can be individuals or companies.  A partnership cannot be a member, as it has no legal status itself.  Members of an LLP, following a Supreme Court ruling in May 2014, are considered "workers" for the purposes of the Employment Rights Act 1996. This means that individual members enjoy the statutory rights and protections conferred on "workers" under legislation, governing amongst other things, whistleblowing protection, rest breaks and paid annual leave, protection from being treated less favourably on account of part-time status and rights under the pension auto-enrolment regime.
Name	General Partnership must have a name that is not the same as the name of any other partnership or company.	The choice of name is governed by similar provisions to those that govern registered companies. In addition, the name must end with the words 'Limited Liability Partnership' or LLP.

Liability	Partners with the partnership have unlimited liability for the debts of the business (although some partners may be protected by agreements).	Members are agents of the LLP, and only have liability to the value of their contribution (however, note that this limit on liability may reduce the willingness of creditors to extend credit, unless provided with personal guarantees).
Taxation	Partners are subject to income tax on profits made (even profits left in the business). National Insurance contributions must also be paid. Although an LLP has a separate legal identity, and in many ways resembles a company, it does not pay corporation tax. All members and partners are taxed as self-employed.	Partners and members are subject to income tax on profits made (even profits left in the business). National Insurance contributions must also be paid. Although an LLP has a separate legal identity, and in many ways resembles a company, it does not pay corporation tax. All members and partners are taxed as self-employed.
Dissolution	A partnership can be dissolved on the death or bankruptcy of a partner.	The Insolvency Act 1986 applies to LLPs in the same way that it applies to companies. An LLP will not be dissolved on the death or bankruptcy of a member.
Management of the Business	The partnership agreement determines how the business is managed.	An LLP has the management flexibility of a partnership. The LLP anticipates that some members will become 'Designated Members' which effectively means they form a management committee to deal with the day to day running of the business and fulfil a role similar to that of a company secretary in relation to filings etc made at Companies House. The LLP has to take account of its members' status as "workers" when managing the business.
Formalities/Regulatory Requirements	No formalities (No need to file accounts or annual returns).	An LLP must be registered at Companies House. Accounting and filing requirements are very similar to those of a company. Requirements vary depending on the size of the LLP. The minimum requirement is the filing of annual return and accounts at Companies House. A medium sized LLP will also be required to file an auditor's report.

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Nature of the relationship between partners/members	Due to the nature of the relationship between partners/members, the LLP agreement (and in the absence of the agreement, by the LLP Act 2000 and the 2001 Regulations).
Publicity	Affairs of an LLP are open to scrutiny; the annual return and accounts can be viewed by any member of the public.
Signing Contracts	A member of an LLP can sign a simple contract on behalf of the LLP provided he is authorised to do so. As LLPs are governed by Regulations under the Companies Act 2006, deeds must be signed in the same way that a company would sign deeds, i.e. by common seal, by the signature of two members or by one member in the presence of a witness who attests that signature. An LLP's designated members will usually act as signatories for the LLP.
Which businesses is it most suitable for?	Professional service businesses, for example, accountancy or law firms as well as those businesses which involve an increasing number of managers/owners who do not want to adopt the limited company model. Many LLPs started out as partnerships.

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