

THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023: UPCOMING REFORM TO LIMITED PARTNERSHIPS



GOVERNANCE & SUSTAINABILITY

Part of the Horizon Scanning series

The Economic Crime and Corporate Transparency Bill received Royal Assent on 26 October 2023, becoming the Economic Crime and Corporate Transparency Act 2023 (the “Act”). A large portion of the Act deals with reforms to Companies House, and introduces, amongst other things, new identity verification requirements for directors, ‘persons with significant control’ (PSCs) and members of a limited liability partnership and other changes to company administration (see our separate briefing). The Act also includes long-anticipated reform to the UK limited partnership regime. This briefing provides an overview of the measures that will impact limited partnerships.

The legislation governing limited partnerships - set out in the Limited Partnership Act 1907 (“LPA 1907”) - is longstanding and has not been the subject of significant reform. However, for a number of reasons, UK limited partnerships remain widely used and attractive in a number of contexts, in particular as private fund vehicles and in certain asset-based pension funding structures.

Following the highly publicised “Russian Laundromat” scandals, the (mis-)use of UK limited partnership

structures and Scottish limited partnerships in particular (which have separate legal personality and can therefore hold property in their own right) has drawn much criticism given that, under the current regime, limited partnerships are fairly opaque vehicles with limited filing requirements. The reforms brought in by the Act will modernise various aspects of the regime and mean that broadly speaking, much more information on the limited partnership will need to be provided both on registration and on an ongoing basis.

GENERAL PARTNER (GP) OBLIGATIONS

Application for registration

Application to register a UK Limited Partnership will need to include the following information:

For each proposed GP and LP:

- **Individuals:** name, date of birth, nationality, usual residential address, where they usually reside (in UK or overseas), a service address (if the individual is the GP).
- **Legal entities:** name, registered/principal office, service address, legal form and governing law and, in relation to a GP that is a legal entity, any register in which the GP is entered and its registration number.

A description of the general nature of the partnership business given by reference to one or more categories of any system of classifying business activities prescribed by regulations (based on the UK Standard Industrial Classification of Economic Activities 2007).

GENERAL PARTNER (GP) OBLIGATIONS

Registered office	<p>The limited partnership must maintain a registered office at an “appropriate address” which must satisfy the following conditions:</p> <ul style="list-style-type: none"> • it is in the part of the UK in which the limited partnership is registered; • if a document is delivered to the address, it would be expected to come to the attention of a person acting on behalf of the limited partnership; and • it is either the principal place of business of the limited partnership, the address of its general partner or the address of an authorised corporate service provider (ACSP) (see below).
Email address	<p>A limited partnership will also need to provide an “appropriate email address”. An address is determined to be “appropriate” if, in the ordinary course of events, emails sent to it by the Registrar would be expected to come to the attention of a person acting on behalf of the partnership.</p>
Registered officer/ named contact	<p>If the GP is a <u>legal entity</u>, it must also name, and maintain at all times, an individual as a proposed registered officer: (i) who is one of the GP’s managing officers; (ii) who is not disqualified under directors disqualification legislation; and (iii) whose identity is verified.</p> <p>The identity verification process remains to be confirmed although it is envisaged that this will be a digital process (involving a form of face ID). More generally, the identity verification process will underpin much of the corporate transparency improvements under the Act (with, for example, directors of companies requiring to verify their identities before appointment).</p> <p>In addition, the following details must be provided for the registered officer:</p> <ul style="list-style-type: none"> • name, date of birth and nationality; • any relevant former names; • usual residential address; and • the part of the United Kingdom in which the individual is usually resident, or if outside of the United Kingdom, that country or state. <p>In addition, where the GP is a legal entity and has one or more “corporate managing officers” (that is, a managing officer that is itself a legal entity), it must also name, and maintain at all times, an individual “named contact” (who must be a managing officer of the relevant entity) for each of those corporate managing officers.</p>
Audited accounts (on request by HMRC)	<p>HMRC can request that the GP prepare audited accounts of the partnership in such form as it may require. However, the accounts will not need to be filed at Companies House.</p> <p>To the extent that UK limited partnerships are “qualifying partnerships” (under the Companies and Partnerships (Accounts and Audit) Regulations 2013) and thereby already prepare audited accounts, it is unlikely that HMRC will request accounts in a different form from those already produced.</p>

GENERAL PARTNER (GP) OBLIGATIONS

Filing obligations	Annual confirmation statements	<p>Within 14 days of each “review period”, the GP must deliver a statement to the Registrar confirming that certain notifications under the new regime have been so made or are being made at the same time as the relevant confirmation statement.</p> <p>For existing limited partnerships, the first “review period” will begin with the date of registration and end with the period 6 months after the new provisions come into force, with 12-month periods following thereafter.</p> <p>For newly registered limited partnerships, each “review period” will be a period of 12 months from the date of registration.</p>
	Ongoing notification obligations	<p>Notice must be given to the Registrar within 14 days of any of the following changes:</p> <ul style="list-style-type: none"> • a person becomes or ceases to be a GP or LP of a limited partnership. An incoming GP may not take part in the management of the partnership until their appointment is notified within the statutory deadline and it will be an offence to do so (although contravention of this prohibition does not invalidate the GP’s actions). • any change in the information required to be registered concerning a LP or GP. • any change of registered officer/named contact, or the information required to be registered concerning a registered officer/named contact. • in relation to all limited partnerships, any change in the firm’s name or the address of the firm’s principal place of business, and, in relation to a limited partnership that is not a PFLP, any change in the general nature of the UK limited partnership’s business, term or character of the UK limited partnership. • a legal entity becomes a corporate managing officer of the GP.
	Authorised Corporate Service Provider (ACSP)	<p>It is important to note that in relation to limited partnerships: (i) it would appear that only an individual can file a document; but (ii) an individual cannot file on their <i>own</i> behalf and (iii) an individual cannot file on behalf of another person (for example, the GP) under the new regime unless the individual is an ACSP or an officer of employee of an ACSP.</p> <p>In effect, this means that while the obligation is on the GP to deliver information to the Registrar, the GP will, in all likelihood, be required to use the services of another party (which may be a group company or a third party corporate service provider/administrator) which is authorised as an ACSP to file on its behalf. More details on the ACSP regime can be found here.</p>

LIMITED PARTNER (LP) OBLIGATIONS

Information on limited partners

The GP will need to rely on LPs providing it with the required information. In turn, LPs are obliged to inform the GP if there are any changes to the information they have provided for registration purposes.

OTHER PROVISIONS

Dissolution

Where there is one solvent GP who is not disqualified under the directors disqualification legislation when the partnership is being dissolved, the GP must wind the partnership up or ensure this is done so by a person who is not a partner at the time.

Where there is no solvent GP who is not so disqualified, a LP must take all reasonable steps to ensure that the partnership's affairs are wound up by a person who is not a LP. The LP will not be regarded as taking part in management for these purposes.

In each case, the GP or LP (as applicable) must notify the Registrar within 14 days of it becoming aware of the dissolution.

De-registration regime

There is a new voluntary de-registration regime under which the Registrar is obliged to de-register a limited partnership (by notice in the Gazette) if a statement is delivered to the Registrar which is authenticated by or on behalf of each partner confirming that they want the limited partnership to be deregistered. The partnership will then cease to be a limited partnership under LPA 1907, but this does not prevent any ongoing relationship between the partners amounting to a general partnership under the Partnership Act 1890.

The Registrar must remove the limited partnership from the index of names (that is the register of company/partnership names under section 1099 Companies Act 2006) when it becomes aware of its dissolution or after voluntary de-registration.

False statement offence

It will be an offence for any person (both GPs and LPs) to deliver documents or to make statements to the Registrar that are misleading, false or deceptive in a material particular "without reasonable excuse".

There is also a new aggravated offence where a person knowingly delivers a document or makes a statement that is misleading, false or deceptive in a material fact.

Timing

Companies House will require substantial operational reform and to establish new systems to process the additional information required and to allow for identity verification. While the Act has received Royal Assent, the Government will still need to pass various commencement regulations to bring the different provisions of the Act into force. Certain other measures will also require further secondary legislation. The Government has committed to publishing a timeline for implementation.

However, it is expected that most provisions of the Act relating to limited partnerships will come into force within the course of 2024. An additional six-month transitional period (from when the relevant provisions come into force) will be available for existing limited partnerships with respect to certain obligations, principally those relating to delivery of information about the partners, the requirements to have an "appropriate" registered office and registered email, and for GPs to provide information on their registered officer and (if any) named contacts. There is therefore some time to prepare for these changes.

Nonetheless, those involved in establishing and administering UK limited partnerships, and GPs in particular, will need to adjust to a world where they will have to file much more information with Companies House. Processes will need to be put in place to ensure notification obligations are met on an ongoing basis.

Some issues that GPs may need to be aware of:

- It would seem that only individuals (who are themselves ACSPs or an officer or employee of an ACSP) can file documents *on behalf of another person* under the new limited partnership regime. A GP may want to consider whether it needs to be authorised as an ACSP (although only certain categories of persons subject to the Money Laundering Regulations are eligible) to allow its individual employees to file on its behalf, but the effect of the legislation may mean that a GP would have to file through a third party ACSP.
- If the GP is a legal entity, the GP will need to ensure that it has at least one registered officer who is an individual whose identity is verified. As noted, the verification process remains to be confirmed.
- A six-month transitional period from when the relevant provisions comes into force is available for existing limited partnerships in relation to the delivery of additional/new information to the Registrar. However, once the timeline for implementation is published and there is more clarity on when the measures which impact limited partnerships come into force, GPs will need to start gathering the required information on their officers and on the limited partnership, as well as from their limited partners.
- To the extent the partnership does not have a UK principal place of business (for example, having moved its principal place of business overseas), the GP will need to procure and maintain a registered office at an “appropriate address” within the relevant part of the UK in which the partnership is registered.
- It will be an offence for an incoming GP to take part in the management of the partnership business until their appointment is notified. Failure to notify within the statutory 14-day period will not invalidate the actions of the GP and a GP will not be in breach until the 14-day period within which to notify has expired. However, in practice, a GP may be unwilling to take any action until notice has been given.

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