

## **1. What is the government doing and why is reform to limited partnerships needed?**

The government is aware of reports that some limited partnerships (LPs) have been abused – for example in the Azerbaijani laundromat and Danske Bank scandal - and is cracking down on their misuse. In addition, the current legislation is over 100 years old and outdated. Via the Economic Crime and Corporate Transparency Act 2023 (“the Act”), the government is introducing reforms that will tackle this abuse and bring the legislation up to date, while ensuring that limited partnerships remain attractive to legitimate investors.

## **2. What changes are the government trying to make?**

The government is introducing reforms which will:

- tighten registration requirements
- require LPs to maintain a connection to the UK
- increase transparency requirements, for example requiring fuller information about partners
- enable the Registrar of Companies to deregister LPs which are dissolved, which are no longer carrying on business or where a court determines that it is in the public interest to do so

## **3. What are limited partnerships and what are they used for?**

LPs, formed under the [Limited Partnerships Act 1907](#), are business associations made up of one or more general partners and one or more limited partners. These partners may be natural persons or bodies corporate. General partners are partners who have responsibility for the management of the business, and do not have limited liability. Limited partners do not have any control over business decisions or the operations of the business (with some exclusions if it is a Private Fund Limited Partnership) but their liability is limited to the amount they contributed to the partnership.

Under the [Partnership Act 1890](#) Scottish firms are legally separate to their partners. This means that Scottish limited partnerships (SLPs), unlike those based in England and Wales or Northern Ireland, have ‘legal personality’, allowing them to hold assets and enter into contracts in their own right. For example, an SLP could own a house in its own right.

LPs are used for a range of purposes that are entirely legitimate. Traditionally used for Scottish agricultural tenancies, they are now often used as vehicles for investment purposes in highly complex and multi-layered investment structures and pension schemes.

## **4. What do the reforms mean for Scottish Limited Partnerships (SLPs)?**

These reforms will apply to SLPs.

## **5. Why hasn't the government extended beneficial ownership requirements to LPs?**

Unlike limited partnerships registered in England, Wales or Northern Ireland, Scottish limited partnerships are entities which are legally separate from their partners. In 2017, in line with EU anti-money laundering requirements that Member States impose beneficial ownership disclosure rules on legal entities in their jurisdictions, the government extended beneficial ownership legislation to SLPs, through the Scottish Partnerships (Register of People with Significant Control) Regulations 2017.

Currently, like companies, SLPs are required to submit statements confirming the accuracy of the information held about them on the register at least every 12 months. LPs registered in England and Wales or in Northern Ireland are not legally separate from their partners and are not subject to the beneficial ownership and control regime. However, the Act will introduce a requirement for all LPs, including those based in England and Wales and in Northern Ireland, to submit fuller information about their partners and statements confirming the accuracy of the information held about them to the Registrar.

## **6. Will these changes apply to existing limited partnerships?**

Yes. The new legislation will apply to all LPs, both new and existing. There will be a sufficient transitional period for existing LPs to meet the new requirements.

The transitional period will be six months from the commencement of the new legislation and will give LPs time to submit update statements on newly required information on partners, their registered office address (which must be in the original jurisdiction of registration) and an email address. LPs that do not comply with this requirement will be deregistered at the end of the transitional period.

LPs which are registered after the Act is commenced will also have to submit a confirmation statement within one year of their original date of registration.

All of this information must be submitted by an authorised corporate service provider, which will be body that is supervised for anti-money laundering purposes.

## **7. What will happen if limited partnerships fail to comply?**

The legislation introduces strict penalties which will be applied to the general partners of LPs (and the managing officers of legal entity general partners) who commit any of the offences listed in legislation. This could include significant fines and, in some cases, prison sentences. (Please see the [civil sanctions and offences fact sheet](https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-bill-2022-factsheets/factsheet-civil-sanctions-and-offences-relating-to-reform-of-companies-house-and-limited-partnerships) for more information: <https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-bill-2022-factsheets/factsheet-civil-sanctions-and-offences-relating-to-reform-of-companies-house-and-limited-partnerships>) This is because the government intends to clamp down on the misuse of LPs and align with wider register reform proposals.

In some circumstances the Registrar may deregister a LP where it is not compliant with the legislation and where this leads her to concluding that the LP is no longer operating.

## **8. What will this mean for authorised corporate service providers?**

LPs will have to make certain applications and filings to the Registrar using an authorised corporate service provider (ACSP). ACSPs will in all cases be supervised for anti-money laundering purposes, and as part of this will be required to conduct customer due diligence checks on their customers. This will give an even greater level of confidence in the integrity of the register. This includes all applications to register a LP and filings of confirmation statements. The Registrar will reject applications and filings that are not made using an ACSP.

## **9. Do the reforms include Limited Liability Partnerships (LLPs)?**

LLPs were created by the [Limited Liability Partnerships Act 2000](#). They are entirely separate forms of business association and so they are not included in those parts of the reforms which only concern LPs. LLPs are within scope of other parts of the Act, for example identity verification requirements. For more information, please see the [LLP fact sheet](#).