

2. Limited Liability Companies (Amendment) Bill 2013 – First Reading approved

Mr Braidwood to move:

That the Limited Liability Companies (Amendment) Bill 2013 be read a first time.

The President: We turn to Item 2, the Limited Liability Companies (Amendment) Bill 2013, again for First Reading. I call on the Hon. Member, Mr Braidwood.

Mr Braidwood: Thank you, Madam President.

Madam President, this Bill is the Limited Liability Companies (Amendment) Bill 2013. This type of company originated in the United States of America, and each state within the United States has enacted its own version of the legislation, which is substantially similar in nature, with some regional variations.

The concept of the 'Limited Liability Company', LLC, was introduced into the legislation of the Isle of Man with the Limited Liability Companies Act 1996. At the time the Isle of Man's Act was brought into operation, the default position in respect of USA LLCs was that they were required to have two members. In the intervening period, all of the states have amended their legislation to allow for the creation of single member limited liability companies. The Bill proposes to amend the Limited Liability Companies Act 1996 to permit LLCs to be formed with either a single member or, as now, with two or more members.

An amendment to the Income Tax Act 1970 will ensure that the tax treatment of LLCs remains clear. The amendment will confirm that a single member LLC is subject to the same tax treatment as any other LLC. Profits and distributions are taxable in the hands of the member. The LLC itself is not taxed. The Income Tax Act 1970 considers LLCs to be transparent for tax purposes.

In the USA some classes of assets that are either located or registered in the USA are regulated by the US state and federal authorities. As a general rule, the US authorities require these types of assets to be owned by US citizens. It is common practice for these classes of US assets to be held in single member LLCs, that are disregarded entities for tax purposes. A single member LLC that does not make the election to be treated as a corporation is treated as a disregarded entity. This achieves tax treatment consistent with that of the Isle of Man. It is the *member* that is taxed and *not* the LLC. The amendments proposed in this Bill should enable a US citizen to satisfy the US authorities that the US asset held in a Manx LLC is indeed owned by a US citizen.

Madam President, this Bill, if enacted, will amend and update the Isle of Man's legislation to bring it in line with that of the USA by providing for, and recognising, single member limited liability companies.

Madam President, I beg to move the First Reading of the Limited Liabilities Companies (Amendment) Bill.

Mr Downie: I beg to second, Madam President, and reserve my remarks.

The President: The motion is that the Limited Liability Companies (Amendment) Bill 2013 be read a first time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.