

# **LIMITED LIABILITY COMPANIES (AMENDMENT) BILL 2013**

## **EXPLANATORY NOTES**

*These notes are circulated for the information of Members with the approval of the Member in charge of the Bill, the Hon W E Teare MHK.*

### **1. Introduction**

These explanatory notes relate to the Limited Liability Companies (Amendment) Bill 2013. They have been prepared by the Treasury in order to assist readers of the Bill. They do not form part of the Bill and have not been endorsed by the House of Keys.

The notes need to be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill.

### **2. Background**

The concept of the limited liability company ("the LLC") was introduced into the legislation of the Isle of Man with the Limited Liability Companies Act 1996.

The LLC originated in the USA. Each state within the USA has its own legislation which is substantially similar in nature, with some regional variations.

At the time that 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. During the intervening period, all of the states have amended their legislation to allow for the creation of single member limited liability companies.

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

### **3. Overview of Clauses**

3.1 Clause 1 sets out the short title of the Bill.

3.2 Clause 2 sets out the amendments to be made to the Limited Liability Companies Act. It does this by inserting new clause 1A. This clause makes provision for the formation and recognition of single member limited liability companies.

3.3 Clause 3 provides for the amendment of the Income Tax Act 1970 to clarify the tax treatment of single member limited liability companies.

3.4 Clause 4 makes provision for the automatic repeal of the resultant Act on the day after it takes effect (but not the amendments that the Act makes to the Limited Liability Companies Act 1996).

## **OTHER POINTS**

The Bill —

- (a) will come into operation on the day on which Royal Assent is announced to Tynwald.;
- (b) is not expected to give rise to any additional public expenditure or public revenue;  
and
- (c) is considered to be compatible with the Convention rights within the meaning of the Human Rights Act 2001.