

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

Explanatory Memorandum

1. This Bill is promoted by the Treasury. If enacted, it will amend the Limited Liability Companies Act 1996 so as to enable limited liability companies to be formed by one person and to have one member.
2. Clause 1 states the short title of the Bill. If enacted, the resultant Act will commence on the day on which Royal Assent to it has been announced to Tynwald by the President of Tynwald.
3. Clause 2 sets out the relevant amendments to the Limited Liability Companies Act 1996.
4. Clause 3 includes an amendment to the Income Tax Act 1970 to clarify the tax treatment of a single member limited liability company.
5. Clause 4 provides for the expiry of the resultant Act (which will not affect the amendments made by it).
6. The Bill is not expected to have any significant effect on public revenue, expenditure or personnel.
7. In the opinion of the member moving the Bill its provisions are compatible with the Convention rights within the meaning of the Human Rights Act 2001.



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LIMITED LIABILITY COMPANIES (AMENDMENT) BILL 2013

A **BILL** to amend the Limited Liability Companies Act 1996 so as to enable limited liability companies to be formed by one person and to have one member; and for connected purposes.

BE IT ENACTED by the Queen's Most Excellent Majesty, by and with the advice and consent of the Council and Keys in Tynwald assembled, and by the authority of the same, as follows:—

1 Short title

The short title of this Act is the Limited Liability Companies (Amendment) Act 2013.

2 Limited Liability Companies Act 1996 amended

- (1) The *Limited Liability Companies Act 1996* is amended as follows.
- (2) In section 1 (features of limited liability companies), in subsection (1) for “a body of persons” substitute **“a body of one or more persons”**.
- (3) After section 1, insert —

1A Limited liability company may have one or more members

- (1) A limited liability company may be formed under section 6 by one or more persons and may have one or more members.
- (2) Subsection (1) has effect despite contrary provision in any enactment or rule of law.
- (3) Subsection (4) has effect in relation to an enactment or rule of law which applies in relation to a limited liability company.
- (4) The enactment or rule of law applies to a limited liability company which is formed by one person or which has one member as it applies in relation to such a company which is formed by 2 or more persons or which has 2 or more members, with any necessary modifications.
- (5) Subsection (4) is subject to express provision to the contrary.

- (6) Without limiting subsection (4), if a limited liability company has only one member, references in this Act to “members”, “all members”, “other members” and “remaining members” are to be treated as references to the sole member. **22**.
- (4) In section 6 (formation), omit the words “which shall have 2 or more members”.

3 Income Tax Act 1970 amended

- (1) The *Income Tax Act 1970* is amended as follows.
- (2) In section 2M (taxation of members of limited liability companies), after subsection (2) insert —
- 23** (2A) Subsections (1) and (2) are subject to subsection (2B).
- (2B) If a limited liability company has only one member, the member is liable for tax at the appropriate rate in respect of his or her whole income, including all the profits of the limited liability company. **24**.

4 Expiry

- (1) This Act ceases to have effect on the day following its promulgation.
- (2) Subsection (1) does not affect the continuing validity of the amendments made by sections 2 and 3.