



Responses to the Consultation on the Limited Liability Companies (Amendment) Bill 2013

5 August 2013 to 16 September 2013

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Introduction

Four responses were received to the consultation on the Limited Liability Companies (Amendment) Bill 2013. This document provides a summary of the comments received and Treasury's response.

Treasury wishes to thank those who took part in the consultation.

Further comments and queries should be directed to:

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1 Introduction

The Corporate Strategy Division of the Treasury issued a consultation paper on the proposal to amend the Limited Liability Companies Act 1996 ("the Act"). The consultation period ran from 5 August 2013 to 16 September 2013.

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.

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

At the time that the Isle of Man's Act was brought in, the default position in respect of USA LLCs was that they required 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 ("SMLLCs").

The draft Limited Liability Companies (Amendment) Bill 2013, proposes to amend the Act to permit SMLLCs.

2 Responses

Three respondents confirmed that they had no particular comments to make on the draft Bill.

One respondent was concerned that this might present an opportunity for high-earning individuals to avoid paying the higher rate of Manx tax and the appropriate amount of National Insurance.

3 Conclusion

No amendments have been made to the draft Limited Liability Companies (Amendment) Bill 2013 arising from responses to the consultation.

Since LLCs are currently transparent for tax purposes (the entity is looked through and the members themselves are taxed), it is considered that the draft Bill does not alter this position. The amendment to section 2M of the Income Tax Act 1970, rather than introducing a new tax treatment for the member of a SMLLC, simply clarifies that the member of the SMLLC will indeed be taxed. As now, the LLC itself will not be taxed.

No further amendments will be made to the Income Tax Act 1970 as a consequence of the introduction of SMLLCs.