

## CLIENT INFORMATION

### Limited liability partnership – conversion checklist

This is a checklist of practical issues for consideration on conversion to a limited liability partnership (LLP).

#### General

- set target conversion date and key milestones.
- will you have the same members before and after incorporation?
- who will be the designated members?
- will there be any effect on job descriptions for present partners?
- what happens if there are any dissenting partners?
- how should salaried partners be treated?
- appoint professional advisers.

#### Client matters

- what will be the impact on both new and existing clients?
- need to explain the principle of the limitation of liability to clients
- review engagement letters (in advance of conversion)
- prepare form of notification letter to clients

#### LLP members' agreement

- set timescale for preparation and finalisation
- allocation of profits and losses
- members' shares and contributions
- drawings
- members' obligations and duties
- management provisions
- retirement/expulsion
- members' powers as agents

#### Accounting

- remember there is a requirement to produce accounts on a true and fair basis
- will current accounting policies remain consistent and how will transitional changes be disclosed?
- additional costs of a formal audit
- be aware of filing accounts at Companies House and their disclosure requirements

#### Indemnity matters

- make certain that the LLP will continue to have appropriate PI cover
- make sure that partners and members are aware of their continuing liability obligations
- what indemnities should be given?

#### Property issues

- advise landlords of the change of status: will an assignment of a lease be necessary?
- may need to redraft tenancy agreements

**Banking**

- let bank know of potential change of status
- will the LLP itself assume responsibility for borrowings?

**Regulatory matters**

- what are the requirements of the regulatory authorities?
- are there any stipulations for limitation of liability for professional bodies?

**Registration**

- need to choose a name
- various documents need to be completed:
  - incorporation document
  - possibly a business transfer agreement
  - possibly a novation agreement
  - Companies House paperwork

**Old partnership**

- will it continue eg in relation to property ownerships or a particular area of business?

**Tax issues**

- need to guarantee that assets are transferred to the LLP as soon as possible and in any event, within 12 months of formation of the LLP
- are there going to be any changes in the partnership/LLP membership? if so, when?
- look at timing of changes in asset ownership ratios
- will group registration for VAT purposes be necessary?
- if it is a trading partnership, need to look at restriction of losses (not available for professional firms)

**Miscellaneous**

- need to arrange the physical transfer of assets and benefit of contracts to the LLP
- need to change stationery and any form of partnership documentation to show that the organisation is an LLP (eg letterhead, invoices, business cards, invoices, corporate literature, signage etc) and to destroy all old material on day of conversion
- transfer of employees: TUPE will apply (including consultation requirements pre-transfer).