IRAS Circular

Stamp Duties Payable by Limited Liability Partnerships and Partners Thereof (Second Edition)

INLAND REVENUE AUTHORITY OF SINGAPORE

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Second Edition changes

Paragraphs

6 – Amend paragraph 6 to provide that nominal stamp duty is removed for instruments that are executed on or after 19 February 2011

7- Rephrase the heading to include “a company”

8- To replace paragraph 8 with new information on additional condition imposed in the relief for conversion of a firm to an LLP

9-To replace paragraph 9 with new information on the new relief extended to conversion of an existing company to an LLP

Frequently Asked Questions

Questions 6 and 7 are removed.

IRAS CIRCULAR

STAMP DUTIES PAYABLE BY LIMITED LIABILITY PARTNERSHIPS AND PARTNERS THEREOF

INTRODUCTION

Pursuant to the introduction of limited liability partnerships by the Limited Liability Partnerships Act 2005, the Stamp Duties Act was amended to provide for special rules in relation to limited liability partnerships ("LLPs") and partners thereof. This circular outlines those amendments.

LIMITED LIABILITY PARTNERSHIPS

2 An LLP is a legal person. Accordingly, it would be liable to pay stamp duties on any dutiable instrument as provided under the Stamp Duties Act.

3 Hence, if, for example, an LLP acquires immovable property on its formation, it would have to pay stamp duty on the conveyance of that immovable property.

Conversion of a company or firm to an LLP

4 However, under the Limited Liability Partnerships Act 2005, where a company or firm converts to an LLP, all the assets of that company or firm would vest in the LLP automatically. In other words, there may not be any written instrument effecting the transfer of those assets.

5 Nonetheless, stamp duty would be payable on the transfer of assets from the company or firm to the LLP. For this purpose, the notice of registration issued by the Registrar of Limited Liability Partnerships shall be deemed to be a conveyance on sale of the assets of the company or firm to the LLP. Ad valorem stamp duty would be payable on the value of the chargeable assets (assets chargeable to stamp duties, i.e. immovable property, stocks or shares, or any interest thereof).

6 The notice of registration is required to be stamped within 14 days from the date of registration. Any other instrument relating to the same transfer of the chargeable assets that may be executed prior to 19 February 2011 is also required to be stamped but would be chargeable with stamp duty of $10. Any other instrument relating to the same transfer of the chargeable assets that may be executed on or after 19 February 2011 is not required to be stamped.

Relief for conversion of a company or firm to an LLP

7 To facilitate the conversion of existing firms to LLPs, relief from the above stamp duty is allowed to a firm converting to an LLP if the following conditions are met:

a. The partners of the LLP are those of the firm as at the date of conversion

b. The assets of the LLP are those of the firm as at the date of conversion

c. The capital contributed by each of the partner of the LLP remain the same as in the original firm as at the date of conversion

8. As announced in Budget 2011, an additional condition is introduced to the relief for conversion of firm to an LLP. At least 75% of the composition of the partnership interest in the LLP held by the partners immediately after the conversion should remain the same for 2 years after the conversion. Greater details can be found in the e-tax Guide: “Stamp Duty: Relief for the Transfer of Assets upon Conversion of a firm to a Limited Liability Partnership (LLP)”. The e-tax Guide can be found at www.iras.gov.sg > Quick Links > e-Tax Guides > Stamp Duty

9 In addition, the Government has also announced in Budget 2011 that stamp duty relief would be extended to the transfer of assets from a company to the LLP upon conversion of an existing company to an LLP. This relief applies to a company that is converted to an LLP on or after 19 Feb 2011. More details can be found in the e-tax Guide: “Stamp Duty: Relief for the Transfer of Assets upon Conversion of an existing Company to a Limited Liability Partnership (LLP)”. The e-tax Guide can be found at www.iras.gov.sg > Quick Links > e-Tax Guides > Stamp Duty

PARTNERS OF AN LLP

10 Although an LLP would have paid stamp duty on chargeable assets acquired by it, it is possible thereafter for the chargeable assets to be transferred indirectly by the partners of the LLP transferring their interests in the LLP, instead of the assets themselves, to a buyer. Stamp duty would be avoided if the transfer of an interest in an LLP is not also chargeable with stamp duty.

11 On the other hand, it is recognised that it would be onerous for partners to have to pay stamp duty every time there is any adjustment to the interests of the partners in an LLP.

12 Consequently, stamp duty is only chargeable on transfers of interests in an LLP upon a significant change of partners.

Significant change of partners

13 There is only a change of partners if one or more person joins or leaves the LLP as a partner.

14 A change of partners is significant if, when compared against any specified date(s):

a. 50% or more of the partners on any specified date(s) have left;

b. 50% or more of the partners are new; or

c. the partners have transferred their interests in the LLP such that any of the partners have, in the aggregate, increased their share of the assets of the LLP by 50% or more.

15 The specified date(s) for the above comparison is:

a. the date of any change of partners up to and including the date of the last significant change of partners in the past 2 years;

b. or if there was no significant change of partners in the past 2 years –

i) the date of any change of partners within the past 2 years; and
ii) the date 2 years ago or the date of the formation of the LLP, whichever is the later in time.

16 The specified date that, when compared against a change of partners, results in the change of partners being a significant change of partners shall be referred to as the "triggering specified date" in this circular. If there is more than one such date, only the latest in time shall be the triggering specified date.

Stamp duty chargeable upon significant change of partners

17 Upon a significant change of partners, every partner who has increased his share of the assets of the LLP from the triggering specified date (including any new partner) is liable to pay stamp duty.

18 The amount of duty payable is, however, computed from the increase in the partner's share of the assets of the LLP from the last significant change of partners (or if none, from the formation of the LLP). The formula is:

[Current asset share – Asset share at last significant change of partners (nil for new partner)] X Value of chargeable assets = Value on which ad valorem duty is charged

19 Every partner who is liable to pay stamp duty is required under the Stamp Duties Act to notify the Commissioner of Stamp Duties by completing and submitting the Notification Form (Annex A) within 14 days of the significant change of partners. The Notification Form may be downloaded from the IRAS website.

20 As stamp duty is charged on a written instrument, in the absence of such an instrument, the submitted Notification Form is deemed to be such an instrument and is stamped accordingly. The stamped Notification Form should be retained by the partner as evidence of the stamp duty paid.

21 Illustrative examples of what constitutes a significant change of partners and how much duty may be payable are contained in Annex B.

TRANSFERS BETWEEN AN LLP AND PARTNERS THEREOF

22 Under the above rules, a partner may pay stamp duty in respect of his share of the chargeable assets of the LLP. It would therefore be equitable, in the case where stamp duty is payable on any transfer of chargeable asset between an LLP and a partner, to give credit for the partner’s share in those chargeable assets. This would also apply in the case where a new partner makes a contribution-in-kind of chargeable assets to the LLP when he is admitted to the LLP.

23 The stamp duty payable in such a transaction would be reduced by a proportion equal to the partner’s share of the assets of the LLP immediately after the last significant change of partners (if he was not a partner then, this would be nil), or, if there was no previous significant change of partners, at the formation of the LLP. In the case of a new partner, who makes a contribution-in-kind of chargeable assets to the LLP, the proportion of stamp duty reduced is his share of the assets of the LLP on the date of his admission as a partner.

24 An application for the stamp duty reduction must be submitted to the Commissioner of Stamp Duties within 14 days from the date of execution of the Agreement for the disposal of the property or, in the absence of an Agreement, within 14 days from the date of execution of the Conveyance. The following information must be furnished with the application:

a. A copy of the document executed for the disposal of the chargeable asset

b. The asset share of the partner at the last significant change of partners or at formation of the LLP (furnish documents to support asset share), or the asset share of a new partner as on the date of his admission to the LLP

c. The value of the chargeable asset transferred (furnish valuation report for real property / audited statement of accounts for shares)

d. The amount of consideration paid for the transfer

25 Notwithstanding any reduction of stamp duty, a minimum duty of $10 would be charged.

FREQUENTLY ASKED QUESTIONS

26 A list of frequently asked questions is contained in Annex C.

ENQUIRIES

27 Enquiries may be made to Stamp Duties Branch on Tel No: 1800 460 4923.

Inland Revenue Authority of Singapore

Annex A

INLAND REVENUE AUTHORITY OF SINGAPORE

Notification of Transfer of Interest in Limited Liability Partnership (LLP)			
Part A - LLP Details (attach a copy of the latest statement of accounts of the LLP)			
Name			
Address			
Registration No			
Part B – Details of outgoing partner or partner disposing interest			
Name			
Address			
NRIC/Fin/Passport No		Percentage of asset share disposed of	
Part C – Details of new partner or partner who has increased asset share			
Name			
Address			
NRIC/Fin/Passport No		Percentage of asset share acquired	
Part D – Details of Immovable Property & Shares which are legally or beneficially owned by LLP as at the effective date of change (attach list if more than one)			
Immovable Property (attach a copy of the valuation report, if available)			
Address			
Interest Held		Market value of interest held	
Shares **(attach a copy of the latest audited accounts)**			
Name of Company			
No of Shares		Net asset value per share	
Part E - Other Details			
Date of Agreement, if any (attach copy if applicable)			
Effective Date of Significant Change of Partners			
Consideration paid for real property			
Consideration paid for shares			
Part F – Confirmation			
We confirm that the information supplied are true and correct			
Signature of Party named in Part B		**Date:**	
Signature of Party named in Part C		Date:	

This notification must be submitted to the Commissioner of Stamp Duties within 14 days after the effective date of a significant change of partners.

Annex B

ILLUSTRATIVE EXAMPLES OF SIGNIFICANT CHANGE OF PARTNERS AND AMOUNT OF DUTY PAYABLE

Example 1

Date	Partners	Respective Asset Shares
1.1.05	ABC	33/33/33
1.1.06	ABCDE	20/20/20/20/20
1.1.07	ABCDFG	20/20/20/20/10/10

The LLP has three partners A, B and C on 1 January 2005. Two new partners, D and E, join on 1 January 2006. This is not a significant change of partners.

On 1 January 2007, E sells his interest in the LLP to F and G. There is a significant change of partners compared to 1 January 2005 since half of the partners are new (D, F and G). Ad valorem duty is payable by D, F and G on 20%, 10% and 10% of the value of the chargeable assets of the LLP respectively.

Example 2

Date	Partners	Respective Asset Shares
1.1.05	AB	50/50
1.1.06	ABCD	25/25/25/25
1.1.07	ABCDE	20/20/20/20/20

The LLP has two partners A and B on 1 January 2005.

Two new partners, C and D, join on 1 January 2006. This is a significant change of partners compared to 1 January 2005 since half of the partners are new (C and D). It is a significant change of partners also because 50% of the asset share in the LLP has been transferred (to C and D). Ad valorem duty is payable by C and D on 25% of the value of the chargeable assets of the LLP each.

On 1 January 2007, E is admitted as a partner of the LLP. There is no significant change of partners since the comparison is only made up to the previous significant change of partners. There is no significant change of partners compared to 1 January 2006.

Example 3

Date	Partners	Respective Asset Shares
1.1.05	ABCDEFGH	12.5/12.5/12.5/12.5/12.5/12.5/12.5/12.5
1.1.06	ABCDEFG	3/3/3/17/17/17/40

The LLP has eight partners A, B, C, D, E, F, G and H on 1 January 2005. H leaves on 1 January 2006 and the remaining partners rearrange their asset shares. There is no significant change of partners as the aggregate of the increase in asset shares is only 41% [(17-12.5)+(17-12.5)+(17-12.5)+(40-12.5)=41].

Example 4

Date	Partners	Respective Asset Shares
1.1.05	ABCD	60/20/10/10
1.1.06	ABCDE	10/30/20/20/20

The LLP has four partners A, B, C and D on 1 January 2005. E is admitted as a partner of the LLP on 1 January 2006 and the asset shares of the partners are altered. There is a significant change of partners as 50% of the asset shares have been transferred. Ad valorem duty is payable by B, C, D and E on 10% (30%-20%), 10% (20%-10%), 10% (20%-10%) and 20% (20%-0%) of the value of the chargeable assets of the LLP respectively.

Example 5

Date	Partners	Respective Asset Shares
1.1.05	ABCD	5/5/5/85
1.1.06	ABCD	15/15/15/55
1.1.07	ABCD	25/25/25/25
1.1.08	ABCE	25/25/25/25

The LLP has four partners A, B, C and D on 1 January 2005.

On 1 January 2006, D transfers 30% of the asset share in the LLP to A, B and C equally. There is no change of partners.

On 1 January 2007, D transfers a further 30% of the asset share in the LLP to A, B and C equally. There is no change of partners. However, if there is a change of partners, it will be a significant change of partners since, compared to 1 January 2005, 60% of the asset share is transferred.

On 1 January 2008, D sells his share to E. There is no significant change of partners compared to 1 January 2007 but there is a significant change of partners compared to 1 January 2006 (55% of the asset share is transferred).

However, ad valorem duty is payable on the increase in asset share of each partner from the last significant change or the formation of the LLP, i.e. 1 January 2005. Thus, ad valorem duty is payable by A, B, C and E on 20% (25%-5%), 20% (25%-5%), 20% (25%-5%), and 25% (25%-0%) of the value of the chargeable assets of the LLP respectively.

<u>Example 6</u>

Date	Partners	Respective Asset Shares
1.1.05	ABC	40/40/20
1.1.06	ABCD	17/17/17/49
1.1.07	ABCE	75/10/10/5

The LLP has three partners A, B and C on 1 January 2005.

D joins on 1 January 2006. This is not a significant change of partners compared to 1 January 2005 as only 49% of the asset share is transferred to D.

On 1 January 2007, E is admitted as a partner of the LLP. This is not a significant change of partners compared to 1 January 2005 (only 40% of asset share transferred) but is a significant change of partners compared to 1 January 2006 (63% of asset share transferred).

However, ad valorem duty is payable on the increase in asset share of each partner from the last significant change or the formation of the LLP, i.e. 1 January 2005. Ad valorem duty is payable by A and E on 35% (75%-40%) and 5% (5%-0%) of the value of the chargeable assets of the LLP respectively.

<u>Example 7</u>

Date	Partners	Respective Asset Shares
1.1.05	AB	90/10
1.1.06	ABC	80/10/10
1.1.08	ABCD	70/10/10/10
1.1.09	ABDE	20/40/10/30

The LLP has two partners A and B on 1 January 2005.

C joins on 1 January 2006. This is not a significant change of partners.

D joins on 1 January 2008. Although this would be a significant change of partners if compared to 1 January 2005 (50% of partners are new), the comparison is only made up to two years back, i.e. up to 1 January 2006. Hence this is not a significant change of partners.

On 1 January 2009, E is admitted as a partner of the LLP. This is a significant change of partners compared to 1 January 2008 (60% of asset share transferred to B and E) and is also a significant change of partners compared to 2 years ago, i.e. 1 January 2007 (70% of asset share transferred to B, D and E). Only the first comparison (with reference to the significant change of partners later in time) is relevant. Hence the partners who are liable to pay stamp duty are B and E, but not D.

Ad valorem duty is payable on the increase in asset share of each partner from the last significant change or the formation of the LLP, i.e. 1 January 2005. Ad valorem duty is payable by B and E on 30% (40%-10%) and 30% (30%-0%) of the value of the chargeable assets of the LLP respectively.

Example 8

Date	Partners	Respective Asset Shares
1.1.05	ABCD	25/25/25/25
1.1.06	ABC	75/15/10
1.1.07	CEF	40/10/50

The LLP has four partners A, B, C and D on 1 January 2005.

D leaves on 1 January 2006 and A acquires an increased asset share in the LLP. This is a significant change of partners compared to 1 January 2005 as 50% of the asset share is transferred to A. Ad valorem duty is payable by A on 50% (75%-25%) of the value of the chargeable assets of the LLP.

On 1 January 2007, A and B leave the LLP while E and F are admitted as partners. This is a significant change of partners compared to 1 January 2006 (more than 50% new partners). Ad valorem duty is payable on the increase in asset share of each partner from the last significant change, i.e. 1 January 2006. Ad valorem duty is payable by E and F on 10% (10%-0%) and 50% (50%-0%) of the value of the chargeable assets of the LLP respectively. Ad valorem duty is payable by C on 30% (40%-10%) of the value of the chargeable assets of the LLP, even though the increase is only 15% from 1 January 2005.

Annex C

LIMITED LIABILITY PARTNERSHIP FREQUENTLY ASKED QUESTIONS

1. **Do I have to file a notification with IRAS whenever a new partner joins the LLP or whenever an existing partner leaves the LLP?**

   You need only file the notification when the admission or retirement of a partner or partners results in a change of 50% or more of the composition of the partners in the partnership or a change of 50% or more of the asset share of the partners in aggregate.

2. **I am a partner of an LLP (with only 2 partners) and have increased my asset share in the LLP by 60% when I bought over my 60% of my partner's interest. I am now holding 80% while my partner is now holding 20% of the interest in the LLP. Do I have to file a notification with IRAS since I have increased my interest in the partnership by more than 50%?**

   You do not need to file a notification because no partner has left or no new partner has been admitted. You only need to only when the increase is accompanied by a change of partners (i.e. there is an incoming or outgoing partner).

3. **The partnership firm owns 5 real properties. The firm intends to convert into an LLP. However, only 3 of the real properties will be transferred to the LLP. The remaining 2 properties will be sold or distributed to the partners of the firm. Would the disposal of the 2 properties immediately before the conversion of the firm to an LLP jeopardize its chance of obtaining the stamp duty relief on conversion of the firm to an LLP?**

   No, it will not jeopardize your claim for relief as long as the assets that are transferred to the LLP are those of the firm.

4. **One of the conditions for stamp duty relief on conversion of a firm to an LLP is that the capital contributed by each of the partner of the LLP must be the same as that of the partners of the firm at the time of conversion. Does the term "capital contribution" refer to an absolute amount standing in the partners' name? Would it also apply to a situation where upon conversion, the ratio of the capital contribution of the partners of the LLP remains the same though the total amount of capital standing in the LLP has increased/decreased.**

   The term capital contribution refers to an absolute amount. If the capital contributed by A, B & C under the firm at the point of conversion is $300,000, $200,000 & $100,000, A, B & C should also have a capital is $300,000, $200,000 & $100,000 respectively in the LLP

5. **I am a sole proprietor of a business. I intend to convert the business into an LLP with my wife as a partner. Can I apply for stamp duty relief for the conversion?**

Stamp duty relief is available only for a conversion of a partnership business to an LLP. No relief is given for a conversion of a sole proprietorship to an LLP

6. **A Deed of Assignment has been executed between the partners for the sale of a partner's interest in the LLP. The sale does not result in a significant change of partners. Is the Deed of Assignment liable to stamp duty?**

   The Deed of Assignment is not liable to any stamp duty. Stamp duty is payable only when there is a significant change of partners.

7. **Since I have paid stamp duty on the Deed of Assignment executed to transfer the partner's interest in the LLP, is the notification still liable to stamp duty?**

   The notification is not liable to any stamp duty. It is only subject to stamp duty if there is no document executed to transfer a partner's interest upon a significant change of partners.

8. **How is stamp duty computed on the notice of registration on conversion of a company to an LLP?**

   Stamp duty will be computed on the collective value (global basis) of the properties under Article 3 (a) [for real properties] or 3(c) [for shares] of the First Schedule to the Stamp Duties Act.

9. **Will the stamp duty on the instrument executed in connection with the disposal of the partners' interest in the LLP be computed in respect of value/consideration of the increased asset share for each partner or will the duty be computed on the sum total of the value/consideration of the increased asset share of all partners who have increased their asset share?**

   Stamp duty will be computed on an individual basis on the value/consideration of the increased share of each of the partners.

10. **I am a subscriber of the E-Stamping System. Can I e-stamp the notification when there is a signification change of partners?**

    No, you must submit the notification for assessment within 14 days after the date of the significant change of partners has taken place.