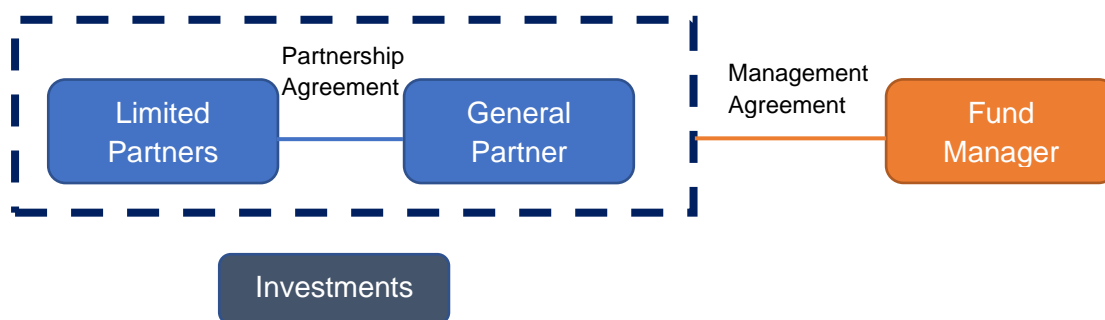


Fund Structures: Limited Partnerships

Investment funds in Singapore are established as limited partnerships, private limited companies or variable capital companies. The chapter below gives an overview of the limited partnership as a fund structure in Singapore.

A LP consists of at least one general partner and one limited partner. An individual or a corporation can be a general partner or a limited partner. A limited partner has limited liability for the Limited Partnership's debts and obligations, unless the limited partner takes part in the Limited Partnership's management. The general partner is liable for all debts and obligations of the limited partnership incurred while it is a general partner. Usually in a fund structure, the general partner will be a limited liability entity formed by the fund's principals.



A limited partnership is registered by the general partner with the Accounting and Corporate Regulatory Authority of Singapore (ACRA). The name of the limited partnership must contain the term "Limited Partnership" or the acronym LP. The full name and details of the general partner and the limited partners must be registered with ACRA although it is possible to keep the particulars of the limited partners of the Limited Partnership confidential from the general public if the manager of the fund is a person licensed to carry on fund management under the Securities and Futures Act 2001 (SFA) or exempt from licensing and other requirements under the Limited Partnership Regulations. An individual local manager must be appointed if the general partner is not ordinarily resident in Singapore. The local manager is responsible for statutory compliance and for filing relevant tax returns. Limited Partnership interests are included in the definition of "securities" in section 239 (1) of the SFA, for the purposes of the prospectus provisions. The definition of "securities" in section 2 of the SFA, for the purposes of the licensing provisions, includes shares in a body unincorporated, thus including an interest in a Limited Partnership.

The advantages of structuring a fund as a Limited Partnership include:

- The structure suits the different roles of the fund manager (the general partner) and investors (the limited partners) in a fund. In practice the general partner may delegate the investment management to a separate fund management company to ringfence the fund manager from the liabilities of a general partner. Similarly, the fund manager may use a separate vehicle to receive carried interest.



- A partnership agreement governs the relationship between the partners, the content of which is only lightly regulated and which means the structure is free from many of the legal constraints and formalities usually applicable to corporate entities, in particular regarding contribution and return of capital and distribution of profits.
- No solvency statement is required when returning capital.
- Distribution of profit or capital can be made at any time as long as the general partner is solvent and would not become insolvent as a result of the distribution.
- Limited Partnerships can take advantage of some of the financial incentives offered to funds under Singapore law.

A disadvantage of structuring a fund as a Limited Partnership is that it will not be treated by the Inland Revenue Authority of Singapore as a legal person qualifying for tax treaty relief.

Composition of a Limited Partnership

The Limited Partnership is governed by the Limited Partnerships Act 2008. The Limited Partnership is owned by its partners. There should be a minimum of two partners – one of whom is a general partner, and at least one limited partner. The partners can be both natural and legal persons. The general partners are responsible for the day-to-day management of the business. There is no maximum number of partners in a Limited Partnership. The Limited Partnership is not a separate legal entity and would not be able to hold property in its own name.

Returns and Interests

Partners collectively own the Limited Partnership's property, and this gives a partner the right to distribute the Limited Partnership's profits in accordance with the terms of the partnership agreements. It also gives partners the right to distribute the Limited Partnership's property and assets in accordance with the terms of the partnership agreement upon the Limited Partnership's dissolution.

Liabilities

Usually, the general partner(s) are fully liable for any debts, obligations or liabilities the Limited Partnership has. They may be jointly or severally liable for any liabilities of the Limited Partnership. For limited partner(s), they are liable only up to an agreed contribution.

Continuity in Law

The Limited Partnership continues in perpetuity unless dissolved by an agreement of the general partner(s) or in accordance with the terms of the partnership agreement. The Limited Partnership can also be dissolved upon the death or bankruptcy of any general partner. The capital maintenance rules do not apply to a Limited Partnership.



Taxation

The Limited Partnership would not pay any taxes. However, each partner pays a personal tax on their share of the profits.

Note: The information in this publication is intended to provide a brief overview of the fund structuring options in Singapore. It is not intended to provide legal advice on the subject matter.