



The Consultative Committee of Accountancy Bodies-Ireland

Chartered Accountants Ireland
The Association of Chartered Certified Accountants
The Chartered Institute of Management Accountants
The Institute of Certified Public Accountants in Ireland

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Orla O'Brien
Company Law: Accounting and Audit Policy
Department of Business, Enterprise and Innovation
Earlsfort Centre, Lower Hatch Street
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Friday, 15 March 2019

Dear Orla

Review of Limited Partnerships Act 1907

In the context of your consultation reviewing the Limited Partnerships Act 1907, the Consultative Committee of Accountancy Bodies – Ireland (CCAB-I), consisting of Chartered Accountants Ireland, CPA Ireland, CIMA Ireland and the Association of Chartered Certified Accountants (ACCA), would like to take the opportunity to renew our call for Limited Liability Partnership (LLP) legislation. We do not have comments on the specific questions raised in your consultation document at this time.

Renewed call for LLP legislation

CCAB-I considers that this consultation provides a timely opportunity to reiterate calls made in previous years by CCAB-I, individual accountancy bodies and other members of the accounting profession for the introduction of LLP legislation in Ireland. This call is made on the basis that Ireland needs a modern, fit-for-purpose legislative framework supporting the professional services sector, which is very important to Ireland's economy. Indeed, the importance of the sector has been acknowledged in the past by Minister Humphries. The Irish accounting and auditing profession makes a very significant contribution to the success of the professional services sector in Ireland and to the Irish economy, both in terms of income and employment.

The LLP corporate vehicle is considered most suitable structure in many cases for professional services firms, and is widely available and used in other jurisdictions, such as the UK, the US and elsewhere. Professional services firms, including audit firms (by virtue of EU audit legislation), established in certain other Member States are permitted to provide services in Ireland through LLPs, while such vehicles continue to be unavailable to domestic firms. This inequitable competitive situation needs to be addressed.

Minister Humphries spoke at the IAASA-hosted Brexit event in October 2018 about the importance of making Ireland 'Brexit-proof' and ensuring the Irish business infrastructure is attractive to entities considering Ireland as a business location. At the same event, the President of Chartered Accountants Ireland, Mr Feargal McCormack, specifically addressed the issue of LLP legislation in that context. President McCormack also wrote to Minister Humphries on the matter following the event. In an all-island context, it is important to note that many accounting firms in Northern Ireland are organised as LLPs and having an equivalent legal structure available in the Republic of Ireland will allow those firms more easily respond to necessary reorganisation post Brexit.

Current situation for Irish accounting firms

An LLP is essentially a corporate vehicle. It must meet similar requirements to those of a company – for example the requirements regarding the preparation, audit and filing of financial statements. The internal organisational requirements of an LLP are, however, more closely aligned to those of a partnership and so provide the necessary flexibility that is a feature of many professional services firms. For example, movement of members/partners (admission to partnership; cessation) is better facilitated in an LLP structure than in a company. The LLP structure also facilitates a greater level of individual tax transparency of individual members/partners.

Currently, the only option available in Ireland to individuals wishing to take an active part in the business of an accounting firm, while at the same time limiting their personal liability for the debts of the business, is to establish the business as a company. We recognise that the amendment of company law in 2010 to remove the restriction on incorporated entities from acting as statutory audit firms provided some limited progress on this issue; however it was insufficient to address the key concerns of the profession in this regard.

Limiting individual partners' liability through an LLP structure is, of course, a completely different issue to that of auditor liability. The current unlimited liability regime applying to statutory auditors and audit firms, whereby they are prohibited from agreeing a limitation of liability clause by contract for the conduct of a statutory audit, would be unchanged by legislation permitting LLPs to be established. LLPs, if introduced, could still be sued, but in the same way as for a company, the members' liability is limited to the amount of money they have invested.

The rationale for LLPs from the perspective of partners is similar to that for individuals incorporating other businesses. The LLP structure achieves the same effect for an individual's personal liability, and the protection of personal assets, as limited companies. As a business vehicle it provides individuals with the security of carrying on business in common with limited liability, while at the same time providing safeguards for those with whom they deal.

Legal firms

Part 7, Chapter 3 of the Legal Services Regulation Act 2015 has provided the legal underpinning for the LLP vehicle in the case of legal partnerships (albeit these provisions have not yet been commenced). We consider that the reasons supporting the introduction LLP legislation for the legal profession are equally valid for the accounting profession.

We would be very pleased to meet with you and colleagues in the Department to discuss further. Please contact me at mark.kenny@charteredaccountants.ie or on 01-6377344 if you consider such a meeting would be helpful to you in your consideration of this important matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Kenny', with a stylized flourish at the end.

Mark Kenny

On behalf of the Consultative Committee of Accountancy Bodies - Ireland