Investment Limited Partnerships 101 (Part 1)
Key Features

May 2021

Enhancements to the Irish regime governing the investment limited partnership (the "**ILP**") have led to increased interest in this structure as an option when considering the establishment of a new investment fund. Our advisory series looks at some of the key considerations in relation to the ILP structure. This first part of the series sets out answers to the key questions on the features of the ILP.

Key Features

Is an ILP a regulated or unregulated structure?	An ILP is established as an alternative investment fund ("**AIF**"), authorised and regulated by the Central Bank of Ireland (the "**Central Bank**").
What is the constitutional document of the ILP?	The limited partnership agreement entered into between the general partner(s) and the investors as limited partners sets out the rules governing the ILP.
Can an ILP be established as an umbrella fund?	Yes, since the relevant amendments to the legislation governing ILPs came into effect on 1 February 2021, ILPs can be established as either standalone funds or umbrella funds with a number of sub-funds.
What is the tax status of an ILP?	An ILP is transparent for Irish tax purposes. The income and gains of the ILP are treated as arising directly to partners in proportion to the value of their partnership interests. The subscription for, or transfer or repurchase of, interests in an ILP is exempt from Irish stamp duty, and the management of an ILP is expressly treated as exempt for Irish VAT purposes.
Is the liability of investors limited?	Yes, generally liability is restricted to the amount of capital committed to the ILP by a limited partner. There are circumstances in which investors may be exposed to further liability and further details are set out in part three of this advisory series.

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What are the reporting requirements?	An ILP must publish and file an annual report (including audited accounts) with the Central Bank, however, this document is not publically available. As an ILP can be established as a retail investor AIF or a qualifying investor AIF, the obligations relating to the contents of the annual report are those set out in the European Union (Alternative Investment Fund Managers) Regulations 2013, as amended (the "**AIFM Regulations**") and the Central Bank's AIF rulebook (the "**AIF Rulebook**"). An ILP must file a statement (including, if applicable, a statement with a nil amount) for each year of assessment with Irish Revenue, specifying the relevant income, gains and losses to which each partner is entitled. Again, this information is not publically available. In addition, there are notification requirements that need to be satisfied where changes are made to certain particulars provided to the Central Bank.
Is it possible to satisfy a capital contribution in specie?	Yes, a contribution made by a limited partner to the capital of an ILP may be satisfied in cash or other property provided that in the case of a non-cash contribution, the value of the relevant property shall, for the purposes of satisfying the obligation to contribute to the capital of the ILP, be the fair and appropriate market value of the property at the time of transfer of the property to the ILP. Additional requirements in the AIF Rulebook relating to in specie contributions must also be satisfied.
Are there any restrictions on the return on capital to investors?	No, provided that the general partner has discharged its duty to ensure that the net asset value of the ILP has been calculated in accordance with the requirements of the Investment Limited Partnerships Acts 1994 and 2020 and the net asset value of the ILP as calculated was greater than zero.

Contacts

If you have any queries on the content of this advisory or any of the advisories in this series please speak to your usual contact in Walkers or connect with:

Nicholas Blake-Knox
Partner, Head of Asset Management & Investment Funds
T: +353 1 470 6669
E: nicholas.blake-knox@walkersglobal.com

Jennifer Fox
Partner, Asset Management & Investment Funds
T: +353 1 863 8531
E: jennifer.fox@walkersglobal.com

Eimear Keane
Partner, Asset Management & Investment Funds
T: +353 1 470 6622
E: eimear.keane@walkersglobal.com

Sarah Maguire
Partner, Asset Management & Investment Funds
T: +353 1 470 6691
E: sarah.maguire@walkersglobal.com

Damien Barnaville
Of Counsel, Asset Management & Investment Funds
T: +353 1 863 8529
E: damien.barnaville@walkersglobal.com

Jill Shaw
Professional Support Lawyer, Asset Management & Investment Funds
T: +353 1 863 8546
E: jill.shaw@walkersglobal.com