

Allow more businesses to utilize LLPs

**NEW**

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**Issue**

In Alberta a Limited Liability Partnership (LLP) are an attractive and beneficial tool for small businesses yet exclusive for a limited number of eligible professions. Expanding the eligibility criteria to include all types of businesses will allow Alberta's economy to prosper from increased use of LLPs.

**Background**

Limited Liability Partnerships are agreements where each partner is not responsible or liable for another partner's misconduct or negligence. They are attractive organizations structures that allows for the creation of a legal business partnership, but as the title suggests, limits the liability between the partners if things go wrong. In that case the partnership itself can be sued, and the assets of any partner that did something wrong will be at risk, but the assets of the other partners will be protected.

Traditional partnerships will typically have full legal and unlimited liability for the debts of the partnership, which could potentially mean the partner's own assets such as property and savings are subject to claim. In an LLP liability is limited to the partner at fault and by what was invested into the partnership by them.<sup>31</sup>

In 2004 the Province of British Columbia passed legislation allowing for the creation of LLPs but unlike all other province's chose to allow any for-profit business to utilize the structure. BC then allowed registered limited partnerships to file a designation to change into a LLP. Following the change in legislation, LLPs have become an attractive facilitate and promote business and investment opportunities in the province.

The flexibility in ownership and management structure combined with the liability protection are an attractive combination for two or more individuals entering a business venture.<sup>32</sup> Because of this, there is a strong argument to be made that allowing all types of for-profit business to utilize LLP's will increase the access to capital as well as the number of business ventures being undertaken.

**Recommendation(s)**

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Amends the Partnership Act to allow for all types of for-profit businesses to be eligible to form a Limited Liability Partnership.

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<sup>31</sup> <https://dialalaw.peopleslawschool.ca/forming-a-partnership/>

<sup>32</sup> Canadian Limited Liability Partnerships, Pearse Trust. March 2019