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## Briefing Note

People with Significant Control and Agriculture

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Important new reporting requirements arise for some farmers using partnership and corporate vehicles following recent changes to the People with Significant Control regime.

Many farmers will be aware from recent media interest of the Government's desire to increase transparency as to those "behind" legal entities such as Companies, Trusts and Partnerships. What is not immediately obvious is that the changes which have now been brought into force will affect some farming businesses.

The new law came into force on 26<sup>th</sup> June 2017, in a bit of a rush following recent political turmoil, and without much in the way of consultation or warning for those legitimately holding leases or other farming interests involving a corporate entity, in particular limited partnerships.

For the position on corporate entities in general, please see our separate briefing note entitled "Registers of People with Significant Control (PSCs)".

This note outlines the position for Scottish limited partnerships, particularly those limited partnerships holding agricultural leases.

Post 2003 and changes to agricultural holdings legislation new limited partnership tenancies are rare. However, there are a number (thought to be around 500) pre-dating this change which remain in force today. A limited partnership must be registered as such with Companies House. Limited partnerships are separate to general partnerships which do not require to be registered with Companies House and may be constituted either in writing or by informal agreement. To date, general partnerships are unaffected by the changes explained in this note, unless all of the partners in the general partnership are corporate entities.

Limited Partnership Lease arrangements usually involve a Contract of Limited Partnership between a limited (effectively "sleeping" partner in the business, the landlord or an associate of the landlord) and a general partner (the farmer on the ground). There may be more than one limited partner and/or general partner. A company or other legal entity may be one or more of the partners. The Contract of Limited Partnership may permit changes in partners, which ought to be registered with Companies House. The limited partnership (a separate legal entity in Scots law) is the tenant under the agricultural lease. Termination of

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the agricultural lease can be controlled by the existence of the limited partnership as tenant in a manner which is not possible where the tenant is an individual.

To date it has been usual for minimal filing to take place in respect of the limited partnership entity, after the date of its creation except for with regard to any changes to the partners by agreement of the parties. This has now changed, as follows:

- Following new legislation coming into force on 26<sup>th</sup> June 2017, the general partner/s for such limited partnerships have a duty to report to Companies House to register the details of People with Significant Control in connection with the limited partnership.
- The People with Significant Control are the general partner/s.
- Details of the individuals and/or entities behind any company being a general partner may need to be disclosed, depending on the level of their shareholding or potential to influence or control the partnership; it should be noted that all capacities in which the person or entity is connected with the partner company will need to be taken into consideration in determining whether details need to be disclosed.
- If there are no People with Significant Control in relation to the partner company, this fact must be notified to Companies House as it is not permissible for the register to be blank.
- The general partner/s must proactively register or criminal sanctions can be imposed.
- The register must be kept up to date on changes taking place.

The limited partner/s details do not require to be registered under the new regime. However as the new duties apply to the limited partnership entity, the limited partner may wish to alert the general partner/s to the change.

The deadline in most cases for “first registration” is **7<sup>th</sup> August 2017**, to supply the information, which involves completion of a form lodged with Companies House.