Grant Thornton

Irish Investment Limited Partnership

A fund structure for today - bringing greater choice and solutions to the global asset management community

What is an Irish Investment Limited Partnership?

The Irish Investment Limited Partnership (ILP) structure is a regulated partnership structure that is authorised as either a Qualifying Investor Alternative Investment Fund (QIAIF) or Retail Investor Alternative Investment Fund (RIAIF) that will appeal to global investments managers and promoters of, in particular Private Equity, Private Credit, Real Estate, Sustainable Finance, Infrastructure and Real Assets.

Key characteristics of an ILP:

- Partnership vehicle established pursuant to the Investment Limited Partnership Act 1994;
- Established with one or more Limited Partners (LP) and a General Partner (GP);
- Has no legal personality;
- Assets and liabilities belong to the partners in proportion to the agreed Limited Partnership Agreement (LPA);
- GP is responsible for the management, control and operation of the ILP and is ultimately liable for the debts and obligations;
- Directors of the GP are subject to Central Bank of Ireland's fitness and probity regime;
- LP's can have some limited involvement in an advisory capacity on the activities of the ILP;
- Can be passported to professional investors in EU;
- Offers a premium alternative to other common jurisdictions for closed-ended funds (note the ILP can also be open ended); and
- Contains established features of other partnership-structures within a familiar legal framework.

With the passing of the Limited Partnerships (Amendment) Act 2020 the ILP has been modernised and is now even more suitable for professional investors. These changes include:

- Allows an ILP to be established as an umbrella fund with segregated assets and liability between sub-funds;
- Safe harbor activities such that LP's/LP can sit on advisory committees etc.;
- Permits amendments to LPA's without unanimous partner approval;
- Redomiciliation of partnerships from other jurisdictions permitted;
- Capital accounting on fund commitments;
- Facilitates distribution waterfall and carried interest provisions;
- Provides for flexibility with multiple drawdowns and closings;
- Excuse and exclude provisions;
- Capacity for parallel and co-investing; and
- Provides for defaulting investor provisions.

Key tax attributes:

- Tax transparent investment vehicle;
- Income and gains at fund level treated as accruing to the partners;
- Generally, no Irish tax on income at fund level or on distributions to partners;
- Partners generally not subject to Irish tax unless they have Irish nexus;
- ILP not eligible for treaty benefits/investors can claim double tax treaty benefits in own jurisdiction;
- ILP permitted to "check the box" from a US tax perspective;
- Standard VAT exemptions (e.g. for fund management, fund administration and investment management) that apply to regulated funds will also apply to the ILP;
- GP (assuming Irish resident) will be subject to Irish tax at 12.5% rate (note significant functions delegated to investment manager);
- Would not expect carried interest to be subject to Irish tax (as recipient will not be within the Irish tax net);
- Considerations will need to be given to tax status of investor base and their requirements; and
- Investment considerations will include the potential need for holding company structures.

"The revised framework provides fund promoters the opportunity to harness the full potential of the established infrastructure of the Irish Fund industry and offer best in class optionality, structure, service, operations and safeguards for investors in a single jurisdiction" **- Brian Murphy, Partner Grant Thornton**

What does this mean for the asset management community?

- More investor choice;
- Managers have more viable options to facilitate the consolidation of structures in a single location;
- Other structures will continue to be adopted;
- The Irish offering is now comprehensive and we expect that the existing structures will remain popular, e.g. the Corporate Fund (ICAV's), Unit Trusts, CCF and Limited partnerships (unregulated alternative to the ILP); and
- Expect the ILP to be a preferred vehicle for partnership structures in Europe.

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