



Jersey Partnerships with Real Personality

Following their recent registration by the Royal Court of Jersey, the Separate Limited Partnerships (Jersey) Law 2011 and Incorporated Limited Partnerships (Jersey) Law 2011 are expected to come into force on the 20 April and 24 May 2011 respectively. The introduction of Separate Limited Partnerships and Incorporated Limited Partnerships is expected to enhance the use of Jersey partnerships and adds an important structuring option to Jersey's well established regulatory regime. The two new laws are closely modelled on the Limited Partnerships (Jersey) Law 1994 (the "LP Law") and retain many of the administrative elements of that Law with a number of important differences:

Key Features

Distinct legal personality – SLPs and ILPs are a legal person separate from their partners and will be able to hold property, sue and be sued in their own name.

Unlimited capacity – An SLP will be unincorporated but an ILP, as its name suggests, will be a body corporate and will have perpetual succession. Both SLPs and ILPs will have unlimited capacity.

Limited partner liability – Subject to certain limited exceptions (broadly similar to those set out in the LP Law) Limited Partners of ILPs and SLPs will retain the benefit of limited liability.

General partner liability – General partners of ILPs and SLPs will have unlimited liability for the debts of the relevant ILP/SLP. From a practical perspective, the liability of those persons managing the general partner can be limited by structuring the general partner as a limited company or limited partnership. In the case of ILPs, a general partner acts as agent of the partnership and is only liable for debts that have not already been satisfied out of the assets of the relevant ILP.

Jersey tax transparency – SLPs and ILPs will be treated for Jersey tax purposes in the same manner as limited partnerships established under the LP Law. Non-Jersey resident limited partners are only liable for Jersey income tax on Jersey source income which will usually mean no Jersey income tax being paid by limited partners established overseas.

United Kingdom tax – Initial opinions from UK counsel suggest that both ILPs and SLPs will be treated as tax transparent for UK income tax, corporation tax and SDLT purposes. In the case of UK capital gains tax it is anticipated that only SLPs will be treated as transparent for tax on chargeable gains. ★

Practical Considerations

Both ILPs and SLPs can be established quickly and efficiently by one or more general partners and one or more limited partners in association. To establish the partnership a declaration signed by each person who is to be a general partner of the ILP/SLP and must be lodged with the Registrar of Limited Partnerships in Jersey. Following registration of the declaration a certificate is issued by the Registrar. This process will usually be completed within 24 hours.

All SLPs and ILPs must have a registered office in Jersey at which must be maintained a register holding the details of each limited partner and their respective interest in the partnership (the registers are not publicly available), a copy of the declaration and partnership agreement (including any amendments), and a statement of contributions agreed to be made by each limited partner and the date for the return of such contributions.

Transactional Uses

We anticipate ILPs and SLPs being utilised across an extremely broad spectrum of transactions. Like limited partnerships before them, ILPs and SLPs offer a greater degree of operational flexibility than corporate structures (particularly where investment capital may be returned to investors) whilst still retaining the additional protection and certainty that limited liability and separate legal personality provides. ILPs and SLPs lend themselves well to a variety of structures including:

- All types of Investment Funds including vehicles to be used for carried interests or performance fees
- Asset holding structures
- Tax transparent joint venture arrangements
- Family office holding structures
- Structured finance transactions

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