

GUIDE TO LIMITED LIABILITY PARTNERSHIPS IN JERSEY

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PREFACE

This Guide provides an outline description of limited liability partnerships in Jersey. The limited liability partnership is a flexible vehicle for undertaking a business with a view to profit with the benefit of limited liability and tax transparency for participants.

Originally introduced by the Limited Liability Partnerships (Jersey) Law 1997, interest in the use of the Limited Liability Partnership (**LLP**) has increased markedly resulting in the replacement of that law by the Limited Liability Partnerships (Jersey) Law 2017.

We recognise that this Guide will not completely answer detailed questions which clients and their advisers may have; it is not intended to be comprehensive. If any such questions arise in relation to the contents, they may be addressed to any member of the team, using the [contact information](#) provided at the end of this Guide.

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Jersey

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1. INTRODUCTION

Jersey legislation allows limited liability partnerships to be established pursuant to the Limited Liability Partnerships (Jersey) Law 2017, as amended (**LLP Law**). The LLP Law provides a flexible vehicle for undertaking a business with a view to profit with the benefit of limited liability and tax transparency for participants. The LLP Law allows participants to contribute capital or effort and skill to the business as agents of the LLP but not of each other.

This guide discusses the key features of the Jersey limited liability partnership.

2. LIMITED LIABILITY PARTNERSHIPS

Jersey limited liability partnerships are likely to be used in the following areas:

- as part of international tax planning arrangements utilising the fiscal transparency of the limited liability partnership concept;
- as vehicles for professional services businesses, including asset management;
- as components in family office and asset protection arrangements; and
- as vehicles for collective investment funds in Jersey.

2.1 Formation

Forming a Jersey limited liability partnership is straightforward. The partnership must comprise at least two partners each of whom must be a legal person.

The name of a limited partnership must end with the words "Limited Liability Partnership" or either of the abbreviations "LLP" or "L.L.P".

There is no upper limit on the number of partners. Limited companies can participate as partners and there is no LLP Law requirement that a partner be resident or incorporated in Jersey. Depending on the purpose of the limited partnership there may be a regulatory requirement to have a Jersey-based partner.

A declaration must be filed in Jersey with the Registrar of Limited Liability Partnerships stating the name of the LLP, its registered office address in Jersey and containing details of each partner and the secretary of the LLP and the term, if any, of the LLP or, if for unlimited duration, a statement to that effect.

There is no requirement to file details of partners' contributions in the partnership declaration. Similarly, the nature of the activities and purpose of the limited partnership do not need to be disclosed publicly in the declaration, and there is no requirement to file copies of the partnership agreement. Depending upon the nature of the activities of the limited liability partnership, there may be regulatory requirements to disclose and discuss (on a private basis) with the Jersey Financial Services Commission details about the proposed limited liability partnership, its activities and the number and status of limited liability partners.

Only when the Registrar issues the certificate of registration does the association of persons become a limited liability partnership.

2.2 Administration

A Jersey limited liability partnership must maintain a number of statutory records at its registered office in Jersey including details of the partners and secretary and any specified solvency statement made in the preceding 12 months (as to which see below). However, the records are private and may only be inspected and copied by partners although they must be provided to the registrar on request.

Partnership accounting records must be maintained but there is no requirement for partnership accounts to be audited unless this is required by the partnership agreement. Partnership accounts may be drawn up in any currency. A partner's contribution may be in the form of capital or effort and skill.

A partner may not assign his interest in the limited liability partnership either in whole or in part except in accordance with the terms of the partnership agreement.

2.3 **Capital and Distributions**

Jersey limited liability partnerships have the capacity to operate on a variable capital basis allowing contributions from partners to be increased or returned to partners during the continuance of the LLP in accordance with the terms of the partnership agreement. Capital and profit distributions may be made freely in accordance with the terms of the partnership agreement for so long as there is a current specified solvency statement in force.

A specified solvency statement is a statement in prescribed terms to the effect that the LLP will be able to carry on its business and discharge its debts as they fall due for a period of 12 months (or earlier dissolution) from the date of the statement. A specified solvency statement is deemed to be made by the LLP if signed by the partner that controls, or one of the group of partners that control, the management of the LLP.

Any withdrawal of LLP property whilst there is not a current solvency statement (i.e. made within the preceding 12 months) is an offence and may be subject to clawback.

2.4 **Limited Liability**

The LLP Law provides that generally a partner or former partner of an LLP shall not be liable for any debt or loss for which the LLP is liable, including any debt or loss caused by another partner.

In limited circumstances, where LLP property has been withdrawn from the LLP otherwise than in the ordinary course of the affairs of the LLP, a partner or former partner may be liable to return an amount equal to the value of the property so withdrawn to meet the debts or losses of the LLP.

Separately a partner or former partner may be liable to return property withdrawn from the LLP in circumstances where there was no current specified solvency statement in place or such statement was made without reasonable grounds. A partner or former partner may apply to the Court for relief if the LLP was at the time of withdrawal, solvent; subsequently made a specified solvency statement; and the relief would not be contrary to the interests of justice.

There is no obligation to file annual returns with the Registrar of Limited Liability Partnerships in Jersey and there are no annual fees payable to the Jersey authorities by the limited liability partnership pursuant to the LLP Law.

2.5 **Regulatory Requirements**

The creation of partnership interests in a Jersey limited liability partnership requires consent from the Jersey Financial Services Commission (**JFSC**) under the Control of Borrowing (Jersey) Order 1958 as amended.

If a Jersey limited liability partnership is to be established for private business, investment or family purposes the registration formalities for the limited liability partnership, in conjunction with the Registrar of Limited Liability Partnerships in Jersey, can normally be accomplished within a few working days.

If a Jersey limited liability partnership is to be used as a vehicle for collective investment (including private equity transactions) or will be subject to public offerings or private placement with interested investors, or if it will engage in financial services activities with third parties who are not connected with

the founding partners, the regulatory authorisation and treatment of the partnership is dealt with by the Authorisation Division of the JFSC. Appropriate advice should be sought in connection with these regulatory matters and the anticipated timetable for the establishment of the partnership.

The LLP may need to adhere to relevant codes of practice and the controls and exemptions under the Financial Services (Jersey) Law 1998 may also be applicable to a limited liability partnership depending on its proposed activities.

2.6 **Taxation**

Jersey limited liability partnerships are not liable to any Jersey income tax burden and the vehicle is tax transparent (i.e. its activities are treated as being carried on by its partners). Distributions paid out to Jersey resident and non-Jersey resident partners are made on a gross basis without deductions in respect of Jersey tax. Partners will be taxed in accordance with the legislation applicable in the country in which they reside.

2.7 **Dissolution**

An LLP shall not be dissolved by any change in the persons who are partners in it unless the partnership agreement so provides. Notwithstanding that, the LLP will be automatically dissolved upon ceasing to have two or more partners. The LLP may be dissolved by an act of a partner or on any occurrence in either case in accordance with the partnership agreement and the Court may, in certain circumstances, order its dissolution.

Where an LLP has been dissolved but before completion of the winding up of its affairs, two or more partners (or the remaining partner and one or more persons) may acquire the interests of each of the remaining partners and the dissolution may be cancelled, allowing the LLP to continue.

For more specific advice on limited partnerships in Jersey, we invite you to contact one of the following:

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For the convenience of clients in other time zones, a list of contacts available in each of our jurisdictions may be found [here](#).