

Key Facts & Update : Partnerships in Jersey

Jersey law currently recognises 5 types of partnership:

- **ordinary partnerships** – (which are called contrats de société under Jersey law) under which all the partners have unlimited liability for debts and obligations of the partnership
- **limited partnerships** – which provide a limited liability option for investors in a partnership structure with management control vested in a general partner. Further details on the three forms of limited partnership which may be created under Jersey law are set out below.
- **limited liability partnerships** – LLP's can in principle be registered under the Limited Liability Partnerships (Jersey) Law 1997 ("LLP Law") but in practice this Law is dormant and unused at the present time. Its provisions are overly onerous including an obligation to put up a £5million bond to secure creditor claims.

Forthcoming and recent amendments to partnership law in Jersey:

- The LLP Law is subject to consultation currently with a view to amending it to make it more user friendly. Once amended, it may in practice be of interest to local professional firms and management businesses who wish to incorporate and achieve limited liability status for their partners.
- Limited Partnerships without legal personality can be registered in Jersey under the Limited Partnerships (Jersey) Law 1994.
- New categories of limited partnership have been introduced in Jersey to make available a range of tax treatments for partnerships.
 - **Separate Limited Partnerships** have legal personality and are treated as fully tax transparent. They can be registered in Jersey under the Separate Limited Partnerships (Jersey) Law 2011.
 - **Incorporated Limited Partnerships** are bodies corporate and are likely to be treated as hybrid entities for tax purposes, being opaque for capital account transactions and transparent for income purposes. They can be registered in Jersey under the Incorporated Limited Partnerships (Jersey) Law 2011.

Uses for Jersey limited partnerships:

- Regulated private equity funds or private funds
- As conduits for carried interest/performance fees
- Family office holding structures
- Joint venture vehicles

Regulatory Matters

The use and operation of Jersey limited partnerships as part of family office holding structures will typically be categorised as trust company business and save for obtaining a consent under the Control of Borrowing (Jersey) Order 1958 to enable the partnership to create limited partner interests, regulated trust companies in Jersey can set up and administer Jersey limited partnerships as family limited partnerships for this purpose without any further regulatory consents.

Where a Jersey limited partnership is used as a private investment syndicate or asset allocation vehicle for a maximum of 15 limited partners or as a conduit for carried interest/performance fees it can be structured so as to be subject only to light tough regulation under the Control of Borrowing (Jersey) Order 1958 and can be set up and administered by a regulated trust company in Jersey.

Where a Jersey limited partnership is used as a public collective investment fund it will be regulated under the Collective Investment Funds (Jersey) Law 1988 and must be administered by a business in Jersey holding a Fund Services Business registration under the Financial Services (Jersey) Law 1998.

For further information or advice please use the contact details below.