

A BRIEF GUIDE TO LIMITED PARTNERSHIPS IN THE BRITISH VIRGIN ISLANDS

Introduction:

Since the introduction of the new British Virgin Islands (“BVI”) Limited Partnership Act in early 2018 (the “LP Act”), we have seen an increase of interest in limited partnerships (“LPs”) formed under the LP Act by our clients. This brief guide is not meant to be a detailed briefing on BVI limited partnerships in general. If you require detailed information on BVI limited partnerships generally, please contact us.

What are the main uses of LPs?

A BVI LP is an attractive and flexible vehicle for private equity funds, joint ventures, venture capital investments, management buy-outs, project finance transactions and real estate and hospitality developments.

What are the advantages of using a BVI LP over LPs from other jurisdictions?

- **Confidentiality** - the identity of the limited partners is not publicly accessible;
- **Flexibility** - the BVI partnership law is very flexible and so the partnership agreement can be tailored to meet client needs;
- **Type of Investment** - there is no restriction on the type of investments which may be made by the LP;
- **Accounts** - there are no accounts filing requirements for an LP; and
- **Sophisticated** - BVI is a sophisticated and internationally recognised jurisdiction for such types of structure.

What are the main features of a BVI LP?

In short, a LP is a partnership made between one or more persons who are general partners and one or more other persons who are limited partners. The general partner is responsible for the management of the LP and generally a company limited by shares. Limited partners are the investors who do not participate in the management of the LP.

The main features of a BVI LP are:

- **Legal personality** - under the new LP Act a BVI LP can elect whether it is registered with legal personality separate from its partners or not. A BVI LP with legal personality has full capacity to carry on or undertake any business or activity or do any act or enter into a transaction in its own right.
- **Charge over Assets** - a BVI LP with legal personality has the ability to create a charge over the assets of the LP, register such charge so that the charge will have priority over other charges pursuant to the LP Act.
- **Taxation** - no income, corporate, capital gains or withholding taxes are levied on an LP in the BVI.
- **Financing** - the LP Act allows a limited partner to charge its partnership interest as a security to a lender. This greatly enhances the borrowing ability of a limited partner in case of a capital call made by the LP.

- **New Limited Partners** - there is no limit on the number of limited partners of the LP and the consent of other limited partners is not required to admit a new limited partner to the LP subject to the terms of the LPA.
- **Liability** - limited partners will be protected by limited liability provided that they have not participated in the management of the LP and they have not received a return of their contribution (or were released from an outstanding obligation to contribute capital) while the LP was insolvent, and the limited partner knew of such insolvency.
- **Contribution** - a limited partner may contribute cash, assets or services to the LP.
- **Duration** - an LP may be established for a specific period of time or for an unlimited period of time; and
- **Accounts** - there are no requirements for producing audited financial statements or filing annual returns. An LP is only required to keep financial records and underlying documentation of the LP showing and explaining the transactions of the LP so that the financial position of the LP can be determined with reasonable accuracy.

Registration of a BVI LP:

The registered agent of the LP must file a statement with the Registrar of Limited Partnerships on behalf of the general partner specifying, inter alia, the name of the LP, the names of the general partner and the term of the LP. If the general partner elects that the LP shall not have legal personality a declaration to this end must be filed as well.

On the filing of the statement, and such other documents as may be required, the Registrar of Limited Partnerships will register the LP, allot a unique number to the LP and issue a certificate of registration, which will state whether or not the LP has legal personality. The certificate of registration is conclusive evidence that the requirements of the LP Act, as to the registration process, have been complied with and the LP is formed on the date specified in the certificate.

A one-off government fee of USD750 is payable on registration. The annual government fee for the second year and thereafter is USD750 provided payment is made before 30 April of the following year.

The public records of a BVI LP are limited. Information on the partnership agreement and other details of the LP, for example, the nature of the business carried out by the LP, the identity of the limited partners and their capital contributions are not publicly accessible.

Can a BVI LP ‘check the box’?

It is our understanding that a BVI LP may ‘check the box’ for US tax estate planning purposes, which will allow it to elect to be treated as a corporation taxed at the entity and member levels or as a “flow through” entity taxed on at the member level.

Why choose the BVI?:

Some of the main advantages are:

- A flexible and very modern legal framework based in English law
- Commercially minded and cost-efficient corporate governance
- Long term economic and political stability
- Integrity and reputation and full compliance with international standards
- Quick set up time for LPs

LP Formation and Maintenance Services

Our affiliate, Folio Corporate Services Limited, provides a full suite of corporate services, including:

- Formation of BVI limited partnerships
- Provision of registered agent and registered office services for BVI limited partnerships
- Provision of individual or corporate directors, for example for general partners
- Nominee shareholder services
- Company secretarial services
- Maintenance of statutory records including registers of general partners and limited partners
- Attending to on-going filing requirements
- Acting as service agent
- Accounting services

About Hatstone

Hatstone is a leading boutique multi-jurisdictional group providing legal, investment fund administration and corporate services with offices in the BVI, Jersey, Malta, London, Panama and South Africa.

Our philosophy revolves around a Director/Partner-led client service.

We believe that the right people will attract the best work and we have put in place a first class team to assist you. The team has been carefully chosen to ensure that there is experience and strength-in-depth.

For more information or specific advice on limited partnerships in the BVI, please contact:



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The Hatstone logo consists of the word "HATSTONE" in a bold, white, sans-serif font, centered within a dark teal rectangular background.

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