

Limited Partnerships

This note provides an overview of Jersey Separate and Incorporated Limited Partnerships. This note explains the common features of these Limited Partnerships and the key advantages to using them.

Overview

Jersey has four types of limited partnership - Separate Limited Partnerships (SLP), Incorporated Limited Partnerships (ILP), limited liability partnerships and 'standard' limited partnership, governed respectively by the:

- 1: the Separate Limited Partner (Jersey) Law 2011
- 2: Incorporated Limited Partnerships (Jersey) Law 2011.
- 3: the Limited Liability Partnerships (Jersey) Law 2017,
- 4: Limited Partnerships (Jersey) Law 1994,

In short, a limited partnership is a partnership made between one or more General Partners ("GP") and one or more other persons who are limited partners. The general partner tends to be responsible for the management of the limited partnership and is generally a limited liability company. Limited partners are the investors who do not participate in the management of the limited partnership.

Uses of a Limited Partnership

Jersey Limited Partnerships are regularly used for collective investment funds, private investment structures and family planning. They have also proved popular for structures and transactions where tax transparency is important.

Common Features

The 2011 Jersey laws relating to SLP, and ILP, draw on the law relating to the popular Scottish limited partnership.

The common features of Jersey limited partnerships are:

- Any general partner will have unlimited liability for the debts of the partnership, whereas the limited partners will be protected by limited liability provided that they have not participated in the management of the partnership;
- It must consist of one or more general partners and one or more limited partners;
- Confidentiality: neither the names and addresses of the limited partners nor the partnership agreement are matters of public record;
- There is no limit on the number of limited partners;

- A limited partner is permitted to assign its interest (subject to the terms of the partnership agreement);
- A limited partner may contribute cash or property;
- A limited partnership may be established for a specific period or for an unlimited period of time;
- There are no requirements for an audit, filing of an annual return or annual fee; and
- Registration and a Control of Borrowing Order (“COBO”) consent will be required, both of which are standard applications.

Key Features of an SLP

- An SLP has separate legal personality but is not a corporate body;
- SLPs are able to contract in, and sue and be sued in their own name;
- SLPs are not subject to the principles and rules relating to companies;
- Like a traditional limited partnership SLPs are tax transparent;
- Because an SLP has a distinct personality it is possible to obtain judgement against either the SLP or the general partner;
- Legal proceedings may be brought in the name of the SLP or the general partner; and
- Property can be held in the name of either the SLP or the general partner.

Key Features of an ILP

- An ILP has separate legal personality (like an SLP) and is a body corporate (unlike an SLP);
- Like a company, it has perpetual succession;
- Whilst ILPs are tax transparent for Jersey purposes in the usual way, there has been some discussion regarding whether an ILP would be considered opaque for gains in other jurisdictions such as the UK;
- Like a director, a general partner must ‘act honestly and in good faith’ and exercise ‘care, diligence and skill’;
- The general partner is regarded as an ‘agent’ of the limited partnership and as such it will only be liable after the partnership has failed to satisfy its debts;
- Like shareholders, the partners of an ILP can ratify a breach by a general partner provided all partners authorise and the ILP is able to discharge its liabilities as they fall due;
- It is able to own property in its own name;
- It is able to contract, sue and be sued in its own name; and
- Due to its incorporated status, an ILP is capable of committing a criminal offence.

Limited Liability Partnerships (“LLP”)

Finally, for completeness, the establishment of LLPs is possible in Jersey under the Limited Liability Partnerships (Jersey) Law 2017. These are similar in many ways to an SLP, save that all the partners benefit from limited liability, including the GP.

Summary

Limited partnerships with separate legal personality continue to be popular and the range of different options in Jersey will continue to attract quality private client and fund work in the future.

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