

## Jersey Limited Partnerships

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Limited partnerships in Jersey are governed by the Limited Partnerships (Jersey) Law 1994, as amended (the **Law**).

The main feature of limited partnerships, as the name suggests, is the limited liability afforded to the limited partners. In addition, the Law is very flexible, such that the partners in a Jersey limited partnership are free to agree the terms attaching to the structure and operation of the partnership between them. For this reason, Jersey limited partnerships are very popular vehicles and common uses include:

- investment funds and, in particular, private equity and venture capital vehicles
- real estate holding, development and investment structures
- asset holding vehicles for families
- profit-sharing, employee incentive or carried interest vehicles

Limited partnerships are also often used for the purposes of tax and financial planning because they are tax transparent, ensuring tax neutrality for the limited partners who are subject to tax in accordance with the rules of their own jurisdictions (see Taxation below).

### Formation

A limited partnership may be formed for any legal purpose, whether or not for profit. The limited partnership must comprise at least one general partner and one limited partner, each of which may be a body corporate, an unincorporated body or a partnership. In order to register a limited partnership, the general partner must submit a signed declaration of limited partnership containing certain prescribed details, along with duly completed establishment forms and the registration fee, to the Registrar of Limited Partnerships (the **Registrar**). Upon registration of a limited partnership, the Registrar will issue a registration certificate and a consent under the Control of Borrowing (Jersey) Order 1958 for the creation of partnership interests in the limited

partnership. A limited partnership which attracts no regulatory overlay can be established on a same-day basis or otherwise within one to two working days.

Depending on the nature of the proposed activities of the limited partnership (see Regulatory treatment below), there may be a regulatory requirement to have a Jersey-based general partner although the Law itself does not require a general partner to be resident or incorporated in Jersey. There is no restriction on the number of limited partners in a Jersey limited partnership.

## Confidentiality

There is no requirement to file details of the names of the limited partners in the partnership declaration or establishment forms. There is also no such requirement in the annual confirmation statement to be delivered to the Registrar by the general partner. The identity of the limited partners in a Jersey limited partnership is not, therefore, a matter of public record. Furthermore, while (subject to the terms of the limited partnership agreement) limited partners have a right to inspect and make copies of the limited partnership records, these are not subject to public inspection and there is no requirement to file the partnership agreement with the Registrar.

## Liability

The general partner is liable for all the debts and obligations of the limited partnership if the assets of the partnership are insufficient to discharge its debts and obligations. The limited partners' liability is limited to the amount of money or the value of other property or services they have committed to contribute to the partnership. A limited partner may lose its limited liability where such limited partner participates in the management of the limited partnership in its dealings with third parties who reasonably believe, based on the limited partner's conduct, the limited partner to be the general partner of the partnership. Helpfully, however, there are extensive safe harbour provisions in the Law comprising a non-exhaustive list of activities which a limited partner may participate in or carry out and which do not constitute participating in the management of the partnership, including:

- being an agent or employee of the limited partnership or the general partner
- acting as a director, officer or shareholder of the general partner or being a partner in a general partner which is, itself, a limited partnership
- consulting with and advising the general partner with respect to the activities of the limited partnership
- approving or disapproving an amendment to the partnership agreement
- voting on, exercising veto rights or otherwise approving or disapproving certain matters

including: the winding up and dissolution of the limited partnership, the acquisition, disposal, transfer or other dealing in any asset or property of the limited partnership, a change in the nature of the activities of the limited partnership, the admission, removal or withdrawal of a general partner and the continuation of the limited partnership thereafter

- enforcing a right under the partnership agreement
- appointing or acting as a member of a board or committee (such as an investment or advisory committee) of the limited partnership

## Flexibility in contributing and returning capital

A limited partner's contribution to the limited partnership can be in the form of money, any property or services. The Law does not prescribe how contributions are made, drawn down or returned to limited partners during the life of the limited partnership and the partners are free to agree such terms, as well as those relating to distributions from the partnership within the partnership agreement. Indeed, the limited partnership agreement may provide that a partner has no rights to a return of contributions or to receive profits, or both. Distributions from the partnership are made subject to a solvency test. It should be noted that the Law provides for a claw-back mechanism, which (unless a longer period is specified in the limited partnership agreement) applies for a period of six months following distribution should a partner receive a distribution at a time when the partnership is insolvent or became insolvent as a result of the payment.

## Winding up and dissolution

Upon termination, a limited partnership may be wound up by its general partner or by another person authorised under the Law or the limited partnership agreement to carry out the winding up. Once the winding up has been completed, a request for the cancellation of the registration of the limited partnership is delivered to the Registrar. Upon the Registrar cancelling its registration, the limited partnership is dissolved.

The general partner's dissolution, insolvency, termination, bankruptcy or withdrawal from the partnership will cause the commencement of the winding up of the limited partnership. The limited partners may, on completion of the winding up, request the cancellation of the registration of a limited partnership where a new general partner has not been elected within 90 days of the commencement of the winding up to take over and continue the activities of the partnership.

In addition, where the general partner is in continuing default of its duties under the Law, the Registrar may cancel the registration of the limited partnership and the dissolution of the limited partnership will take effect immediately upon registration of the cancellation.

The Royal Court may order the winding up of a limited partnership on the application of a partner if it is satisfied that the limited partnership is being conducted in a manner calculated or likely to affect prejudicially the carrying out of the activities of the limited partnership or in a manner oppressive to one or more of the limited partners or that circumstances have arisen which render it just and equitable that the limited partnership be wound up. It may also do so on the application of the Registrar, if the Court is satisfied that the activities of the limited partnership are bringing Jersey's reputation into disrepute.

A partner or creditor of a limited partnership, or any other interested party, may apply to the Royal Court before the expiry of 10 years after the date of the cancellation of the registration of the limited partnership, for an order declaring the cancellation void. Where an order is made, the person who made the application to the Court, must within 14 days, deliver the Act of Court to the Registrar for registration and the Registrar must reinstate the registration of the limited partnership.

## Regulatory treatment

Jersey limited partnerships are commonly used as private funds or public collective investment funds. In such cases, the requirements of the Collective Investment Funds (Jersey) Law 1988 (the **CIF Law**), the Alternative Investment Funds (Jersey) Regulations 2012 (the **AIF Regulations**), the Jersey Private Fund Guide (**JPF Guide**) and the Financial Services (Jersey) Law 1998 (the **FSJL**) will be relevant and advice should be taken at an early stage in the structuring of the fund. Accordingly, an application will need to be made for the issue of a certificate or consent in connection with the partnership pursuant to the CIF Law, the AIF Regulations or, as applicable, JPF Guide and the general partner and other Jersey-based service providers to the limited partnership may need to register for the conduct of fund services business or AIF services business in Jersey pursuant to the FSJL, unless exemptions to such registration apply. For further information on the Jersey regulatory options for funds please see our briefing [here](#).

## Taxation

Limited partnerships are not legal persons and are therefore not taxable entities for the purposes of Jersey tax. Limited partners are subject to tax in accordance with the rules of their country of residence. Accordingly, non-Jersey tax resident limited partners in a Jersey limited partnership are not subject to Jersey income tax or any withholding tax on their share of partnership profits or gains arising from business or investment activities carried on outside Jersey. This is one of the reasons why limited partnerships are popular investment fund vehicles for tax-exempt institutional investors.

## Jersey Economic Substance Requirements

A Jersey resident limited partnership (that is, where the "effective place of management" of the

partnership is in Jersey) may fall within the scope of the Taxation (Partnerships – Economic Substance) (Jersey) Law 2021 (the **Substance Law**) if it carries on a relevant activity, including fund management business or finance and leasing business. Such partnerships are required to satisfy an economic substance test which requires them to demonstrate that they are managed in Jersey in relation to that activity, they have adequate people, expenditure and physical assets and all of the partnership's "core income generating activities" (**CIGAs**) are carried out in Jersey.

The Substance Law excludes the following resident partnerships from its scope:

- partnerships which are investment fund vehicles
- partnerships that are not part of a multinational group and do not undertake business activities outside of Jersey; and
- partnerships where all the partners in the partnership are individuals who are subject to income tax in Jersey

Separately, if a Jersey tax resident corporate general partner of a Jersey limited partnership was itself conducting a "relevant activity" for the purposes of the Taxation (Companies – Economic Substance) (Jersey) Law 2018 (the **Companies Substance Law**), such as "fund management business", such general partner would fall within the scope of the Companies Substance Law and would need to ensure that it is governed and operated in a way which complies with the Companies Substance Law, namely that all of its CIGAs are carried out in Jersey, that it is directed and managed in Jersey in relation to its CIGAs and that it has adequate expenditure, employees and premises in Jersey.

In order to effect the requirements of the Substance Law, from 1 January 2023 all partnerships in Jersey will be required to file an annual Partnership Combined Notification with Revenue Jersey. It is envisaged that the Partnership Combined Notification will require basic details of the partnership's partners, disclosure of any taxable partnership profits, a confirmation on whether in-scope for Jersey's economic substance regime and, where applicable, whether the partnership has met the economic substance test for the year of assessment. [Further information on the filing requirements can be found in our briefing.](#)

## Record keeping and filings

A limited partnership must maintain certain statutory records at its registered office. However, as mentioned above, the records are private and, subject to the terms of the limited partnership agreement, may only be inspected and copied by partners. Further, while the partnership must keep accounting records, there is no requirement for an auditor to be appointed (subject to any contrary provision in the limited partnership agreement and in the context of most investment funds). In addition to the Partnership Combined Notification to be filed with Jersey Revenue

(referred to above), there is a requirement to file an annual confirmation with the Registrar and an annual administration fee is payable to the Registrar.

## Migration of foreign limited partnerships into Jersey

The States of Jersey Assembly has adopted regulations permitting foreign limited partnerships to migrate (continue) into Jersey using the statutory migration process set out in the Limited Partnerships (Continuance) (Jersey) Regulations 2020. Migration into Jersey is permitted for a foreign limited partnership which is formed in a jurisdiction which does not prohibit continuance overseas, does not have legal personality, is solvent and makes an application to the Jersey Financial Services Commission for continuance as a Jersey limited partnership which is registered under the Law.

## Related Links

[Migration of foreign limited partnerships into Jersey](#)

[Jersey Private Funds](#)

[Jersey Expert Funds](#)

[The economic substance requirements for Jersey resident partnerships](#)

[2023 – A Year of Change for Jersey Partnership Tax Reporting](#)

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