Jersey Limited Liability Partnerships

Insights - 31/07/2018

Introduction

The Limited Liability Partnerships (Jersey) Law, 2017 (the **Law**) is now in force and the Registrar of Limited Liability Partnerships (the **Registrar**) is in a position to accept applications to register Jersey limited liability partnerships (**LLPs**) incorporated under the Law. A LLP is a legal person distinct from its partners which can own property, sue and be sued in its own name. Each of its partners is obliged to contribute effort and skill OR capital to the business of the LLP and is an agent of the partnership but not of the other partners.

Generally speaking a LLP agreement is required and can be drafted in such manner and on such terms as the partners agree.

The Law also seeks to ensure that creditors dealing with LLPs remain protected by requiring a specified solvency statement (a **Solvency Statement**) to be made by the LLP, prior to any withdrawal of partnership property and contemplates such a statement being made annually.

The Law will enable LLPs to be used as an alternative structure to UK LLPs for the benefit of individuals and corporates. The LLP is a flexible vehicle and has a number of uses, including, acting as a general partner or other type of fund management vehicle. A partner in a LLP may also be an employee of the LLP.

Specified Solvency Statement

A Solvency Statement requires the LLP to state that, in its opinion, having regard to:

(a) the prospects of the LLP and the intentions of the partners with respect to the management of its business; and

(b) the amount and character of the financial resources that will be available to the LLP, the LLP will be able to:

(i) continue to carry on business, and

(ii) discharge its liability as they fall due,

for the period of 12 months immediately following the date of the Solvency Statement or the dissolution of the LLP, whichever first occurs.

The Solvency Statement can be made by the LLP at any time. However, if a partner or former partner withdraws any property of the LLP at any time when either the LLP has not made a Solvency Statement in the 12 months immediately preceding the withdrawal, or, if a Solvency Statement is made without the LLP having reasonable grounds for making it, the partner or former partner is liable to return to the LLP the property or the value of the property if the property has appreciated in value. In addition, a partner who is liable to pay cash to the partnership may be liable to pay interest at the prescribed rate.

The liability to return partnership property to the LLP will not apply if the Royal Court of Jersey declares that it is satisfied that, at the time of the withdrawal, (i) the LLP was solvent; (ii) that it has subsequently made a Solvency Statement; and (iii) that it would be contrary to the interests of justice for the partner or former partner to remain liable.

Additional Requirements

A LLP must have a registered office in Jersey and must comply with the following requirements:

- appoint a designated secretary (which will replace the concept of a designated partner) the designated secretary must deliver a return to the Registrar stating whether or not any Solvency Statement has been made by the LLP on or after 1 March of the previous year and must file any such Solvency Statement with the Registrar; and
- a copy of any Solvency Statement sent to the Registrar must be kept at the registered office of the LLP for 10 years and the LLP must take reasonable precautions to prevent its loss, destruction or falsification.

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Meet the Author

Raulin Amy

Partner

Jersey

E: raulin.amy@ogier.com

T: +44 1534 514239

Key Contacts

James Campbell

Partner

Jersey

E: james.campbell@ogier.com

T: +44 1534 514230

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