Jersey Limited Liability Partnerships versus the United Kingdoms Limited Liability Partnerships

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Jersey Limited Liability Partnerships versus United Kingdom Limited Liability Partnerships – which are better?

Introduction

The Jersey Limited Partnerships (Jersey) Law 2017 replaces the Limited Liability Partnerships (Jersey) Law 1997 from 1 August 2018. The new Law replaces the old framework to make the Jersey LLP more competitive and the vehicle of choice for local and international businesses.

The briefing looks at a comparison of Jersey and UK LLPs. The key advantages to using a Jersey limited liability partnership (**JLLP**) over a United Kingdom limited liability partnership (**UK LLP**) relate to tax, flexibility, accounting standards and requirements and the ability of a partner to the LLP to also be an employee of the LLP at the same time.

	JLLP	UK LLP
1. Two or more partners	Two or more partners and shall be dissolved immediately on there ceasing to be two or more	Two formally appointed members at all times. Continues to exist even if the

	two or more partners in the partnership.	the membership falls to one.
2. VAT/Goods and Services Tax	Fees not subject to Jersey Goods and Services Tax provided the LLP is registered as an international services entity.	LLP must register for VAT if the business' VAT taxable turnover is more than £85,000.
3. Inheritance Tax	There is no concept of inheritance tax in Jersey so Jersey resident partners of the LLP will not be subject to inheritance tax. An interest in an LLP will normally be considered a non UK situs asset for inheritance tax purposes.	Assets of an LLP are treated as assets of its members for inheritance tax purposes.
	An LLP is tax transparent for Jersey income tax	

4. Income Tax/Capital Gains Tax	purposes; no assessment is raised on the LLP itself, but the partners in an LLP are potentially assessable for tax in their own names. However, non-Jersey resident partners in an LLP are not subject to Jersey tax other than in respect of certain Jersey source income, such that generally no Jersey tax will be payable by non-Jersey resident partners. Profits and gains arising from the international activities of a non-resident partner are not subject to income tax in Jersey. For the purposes of	LLP members are taxed individually on their share of the profits and will each have to register with HMRC for Self-Assessment, file a tax return each year and pay

	determining whether activities are to be treated as international activities and the liability to income tax in that regard, an LLP controlled and managed abroad is deemed to be resident outside Jersey, even if some of the business of the LLP is carried on in Jersey or some of the partners are resident in Jersey. This rule does not extend to the position where profits or gains of the LLP arise from a trading operation in Jersey.	income tax and national insurance on their personal income.
	A solvency statement must be made by the LLP	

	that it is solvent now and will remain solvent until 12 months into the future considering the financial resources available to the LLP and the intentions of the partners who control the management of the LLP in respect of the management of the LLPs business.	
5. Return of Partners Contribution Pre Winding Up	Any property withdrawn by a partner or former partner at any time when the LLP has not made a solvency statement in the 12 months immediately preceding the withdrawal shall be returned and if the property withdrawn was otherwise	Past and present members are liable to contribute to the assets of the LLP to the extent that they have agreed to do so with the other members in the LLP agreement. Any amounts withdrawn by a member in the two years before the start of the winding up can be clawed back if the member knew or out to have concluded that after the withdrawal and any withdrawals in contemplation at the time, there was no reasonable prospect of

	than in cash, the partner shall pay a sum equal to the higher of the value of the property as at the date withdrawn and its value at the date of payment for the property.	the LLP being able to avoid an insolvent liquidation.
6. Designated Partners	No requirement for a designated partner. The Law requires the LLP to appoint a designated secretary to carry out certain administrative functions.	Must have at least two designated partners (or if less than two, all English LLP partners are deemed designated partners).
7. LLP member as employee	A partner in an LLP may enter into any transaction with the LLP, including lending money to and borrowing money from the LLP. Therefore, a partner of an	LLP members cannot be employees of the LLP.

	partner of an LLP may be an employee of the LLP at the same time.	
8. Disclosure of Partners	No requirement to file the LLP agreement with the Registrar. The names and addresses of the partners of the LLP must be disclosed to the Registrar in confidence and the names of the partners are not available to the public.	The LLP agreement does not need to be publicly filed but the members details must be disclosed in the incorporation documents.
9. Place of Business Requirement	Must have a registered office in Jersey.	Must have a registered office in England or Wales.
	The secretary must keep all the accounting records and returns of the LLP that are provided to it for 10 years at	The LLP must keep and maintain a register of

10. Records	a place in Jersey. The secretary will allow any partner of the LLP to inspect any accounting record or return provided to the secretary at any time during normal business hours.	members available for inspection by any LLP member without charge, or by any other person for a fee set by the Companies Registrar.
11. Accounting Standards	The LLP must keep accounting records and returns of the LLP that are sufficient to show and explain that the LLP's transactions and be such as to disclose with reasonable time accuracy at any time the financial position of the LLP at that time.	The LLP must prepare and file accounts in accordance with Part 15 of the Companies Act 2006.
	Unless an LLP agreement	

12. Filing/Auditing	requires otherwise, it is not necessary to appoint an auditor or have an LLP's accounts audited. An LLP must keep accounts, which may be drawn up in any currency, and must keep those accounting records for at least ten years. Any specified solvency statements must also be retained for the same period. No requirement to file accounts with any authority (unless the LLP is undertaking certain types of financial services business).	The LLP need not appoint an auditor if the designated members reasonably determine that audited accounts are unlikely to be required.
	A partner's interest in an	

13. Assignment of Partners' interests	LLP must be assigned in accordance with the partnership agreement. Changes can also be made in partnership interests on the admission, retirement, death or on a partner who is not an individual ceasing to exist.	No person may voluntarily assign an interest in an LLP without the consent of all existing members.
14. Holding Property	Can own property in its own right and name and bear its own debts and liabilities which are met from the property of the LLP.	Can hold property, enter into contracts and sue and be sued in its own name.
15. Status as bodies corporate	A separate legal person (but not a body corporate) distinct from its partners but for tax purposes in	It is a body corporate and a legal entity separate from its members, although for tax purposes is

	purposes in Jersey treated as a partnership.	treated as a partnership.

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