



# Guidance Note: Limited Partnerships (Jersey) Law 1994

## 1 Introduction

- 1.1 The Limited Partnerships (Jersey) Law 1994 makes provision for the establishment of limited partnerships under Jersey law. A limited partnership has one or more "general" partners (who have unlimited liability, as in a normal partnership) and one or more "limited" partners, whose liability for debts and obligations is limited to the amount of their contribution.
- 1.2 The limited partner is generally a passive investor and is prohibited, subject to certain exceptions set out in the law, from taking part in the management of the limited partnership. Limited partnerships are principally established for investment purposes and are a favoured structure for use in venture capital situations, management buy-outs and real property developments. The general partner, usually a limited liability company, undertakes the role of managing partner whilst the investors are all limited partners.
- 1.3 The partnership agreement sets out in full the relationship between the parties.

## 2 Key Features

- 2.1 There are several features in the Jersey law that distinguish it from the legislation of many other jurisdictions. First, a Jersey limited partnership is able to be treated as "fiscally transparent" with the limited partnership itself not being dealt with as a distinct legal entity but existing as a Jersey tax exempt structure. Holders of limited partnership interests would also be treated as having a pro rata share of each underlying investment and of the income derived therefrom thus allowing investors to take advantage of any double tax treaty which may exist between his country of residence and the country in which the investment is made.
- 2.2 Second, the Jersey limited partnership may have an unlimited number of limited partners.
- 2.3 Third, the accounts of the partnership may be maintained in any currency including the European currency unit and there is no statutory requirement for the accounts to be audited.
- 2.4 Fourth, the general partner, if a company, need not be incorporated in Jersey.
- 2.5 Fifth, the main formality on the establishment of a limited partnership is the filing of a declaration with the Registrar of Limited Partnerships (within the Jersey Financial Services Commission), (the **JFSC**) giving the name of the partnership, its registered office address, details of the general partner and the term for which the partnership is established. The formalities do not include any requirement to file the names of the limited partners or the amount of their contributions. The partnership agreement is also not a document of public record.

- 2.6 Sixth, if the limited partner participates in the management of the partnership he will lose his limited liability. However, the law contains a lengthy list of activities that do not constitute taking part in the management of a limited partnership including:
- 2.6.1 being a contractor for or an agent or an employee of the limited partnership
  - 2.6.2 acting as a director, officer or shareholder of a corporate general partner
  - 2.6.3 advising a general partner with respect to the activities of the limited partnership
  - 2.6.4 voting on or otherwise signifying approval or disapproval of a variety of matters including the purchase and sale of assets.
- 2.7 Seventh, a limited partner not only has the right to receive from the limited partnership the share of the profits stipulated in the partnership agreement (so long as the partnership is and remains solvent) but is also permitted to receive a return on his capital contribution on the same basis. If it transpires that, in either event, the limited partnership was not solvent at the time of and immediately after the payment was made then, for a period of six months from the date of receipt of the payment, the limited partner is liable to repay the amount received with interest so as to assist in the discharge of debts or obligations of the partnership.
- 2.8 Eighth, a limited partner may contribute his capital in the form of money, in any currency, any other property or via the provision of services.
- 2.9 Lastly, there is no requirement for any annual return or annual fee. It is noteworthy that the Limited Partnerships Law states in Article 41 that the rules of customary law applicable to partnerships shall apply to limited partnerships except in so far as they are inconsistent with the express provisions made in the law.

### 3 Regulatory Comments

- 3.1 All limited partnerships established under the law require a consent from the JFSC under the Control of Borrowing (Jersey) Order 1958, as amended, to the creation of partnership interests as well as to the raising of money in the Island for the purposes of a limited partnership by such creation of partnership interests. This consent is granted by the JFSC on completion of an application form which is submitted to the JFSC. The form requires disclosure of full information concerning the purposes of the partnership, the general partner(s), and their beneficial ownership, if companies, and the nature of the limited partners.
- 3.2 The JFSC may call for further information prior to the granting of the consent.
- 3.3 Many limited partnerships established under the law will take the form of collective investment schemes. Some of these schemes (in particular, those offered to the public) will fall within the definition of a "collective investment fund" for the purposes of the Collective Investment Funds (Jersey) Law 1988. In those circumstances the general partner will need a permit under that law and this will be considered by the JFSC on an application to the JFSC. Separate information documents are available from the JFSC giving advice regarding collective investment funds in general.
- 3.4 Where a limited partnership is established under the law as a collective investment fund (and, indeed, where it carries on a local trade), the general partner will need to make application to the Regulation of Undertakings and Development Department for a licence under the Regulation of Undertakings and Development (Jersey) Law 1973 for the commencement of an

undertaking in the Island. It is anticipated that such partnerships will normally have a Jersey incorporated general partner.

## 4 Names

- 4.1 Article 7 of the law sets out various requirements and constraints regarding the name of a limited partnership. In order to assist those wishing to establish such a partnership it is possible to reserve a proposed name by completing and submitting a name application form to the JFSC.
- 4.2 All limited partnerships which carry on business under a business name which does not consist of the name under which it is established without any addition need to register the business name under the Registration of Business Names (Jersey) Law 1956.
- 4.3 The necessary form is obtainable from the JFSC.

## 5 Fees

- 5.1 Fees Payable to the Registrar are detailed in the Limited Partnerships Fees Notice as located [here](#).