

UPDATE

The States of Jersey approve the introduction of Jersey LLCs

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The Draft Limited Liability Companies (Jersey) Law (the LLC Law) was debated and approved in the States of Jersey today and provides for the establishment of limited liability companies (LLCs) in Jersey.

In other jurisdictions where LLCs are already a feature, they are used in a diverse range of roles such as general partners, management vehicles, carried interest vehicles, portfolio holding vehicles, joint venture vehicles and private equity vehicles.

LLCs have traditionally been associated with the United States (US) and the introduction of a Jersey LLC will, in particular, give US advisers, investors and businesses the option of using a Jersey vehicle with features and characteristics they are already familiar with.

The LLC Law will also offer another option to those looking to do business in Jersey, combining many of the more desirable features of companies and partnerships in to one flexible vehicle. Some of the key features of Jersey LLCs include:

- separate legal personality without being a body corporate;
- limited liability for the members of the LLC (akin to shareholders of a company) in the same way as a company;
- the choice between appointing managers to manage the LLC (akin to directors of a company) or vesting management with the members;
- a high degree of contractual freedom when determining the terms of the agreement governing the LLC;
- the ability to create segregated series, each of which would have its own assets and liabilities and could have different members and/or managers from the other series; and
- flexibility to agree the parameters of the respective duties owed by managers and members of the LLC subject to a minimum duty of good faith.

It is anticipated that the Jersey LLC will be able to make an election to be treated, for Jersey tax purposes, as either tax transparent or tax opaque.

The combination of the above features means the Jersey LLC is an extremely flexible and versatile vehicle which can be used in a wide variety of circumstances, including where limited liability partnerships, limited partnerships and limited companies are currently being used or have traditionally been preferred.

It is expected that the LLC Law will come into force fully in the next 12 months and should you have any questions on the introduction of the LLC Law, or its potential application in the context of any new or existing vehicles, please get in contact with a member of our team.

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