

Jersey limited partnerships: A guide

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Key characteristics of a Jersey limited partnership

A limited partnership is a partnership between one or more 'general' partners (who manage the partnership) and one or more 'limited' partners (passive investors who have no involvement in the day to day management of the partnership). While general partners have unlimited liability, a limited partner's liability is limited (subject to certain restrictions) to the difference (if any) between the amount which they have actually contributed to the partnership and the amount they have agreed to contribute to the partnership.

A Jersey limited partnership has the following essential characteristics:

- it does not have its own legal personality separate from its partners;
- it must have at least one limited partner and one general partner who are separate persons;
- a limited partner in a limited partnership has, notwithstanding the nature of its contribution, only the right to demand and receive money in return for its contribution, unless there is a statement to the contrary in the partnership agreement or all the partners in the limited partnership consent to some other manner of returning the contribution;
- a limited partner in a limited partnership has no authority or power to bind the partnership, responsibility for managing the limited partnership rests exclusively with the general partner(s) and limited partnership property must be held by a general partner;
- no maximum limits on the numbers of partners;
- no upper limit on the number of limited partners;
- no requirement that the general partner be Jersey-resident;
- greater confidentiality. In keeping with Jersey's reputation as a responsible offshore jurisdiction, the Jersey Financial Services Commission (JFSC) will require confidential disclosure of the principals behind a limited partnership and the nature of its activities. However, only the name, address and duration of the limited partnership and the name and address of the general partner(s) will be a matter of public record but not the name and address of the limited partner(s);
- a general or limited partner may be a corporate body, including a limited liability company;
- no audit requirement;
- accounts may be maintained in any currency;
- partnership contributions can be made in the form of money, property or other services;
- no requirement to pay a fee to secure its Jersey tax treatment; and
- no requirement on the general partner to make any capital contribution to the partnership.

Potential uses for limited partnerships

Limited partnerships have many potential uses. Their appeal will vary according to the nature of the laws and fiscal regimes of the potential investors' home jurisdictions. To the extent that a partner's share of the income (or losses) of a limited partnership is treated as the direct income of that partner in the latter's own

tax jurisdiction, that partner may be entitled to certain tax benefits and reliefs available in the relevant jurisdiction.

This tax transparency and the ease of distribution of profits of limited partnerships have made them attractive vehicles for the holding of investments that are speculative in nature. A further attraction is that capital contributions may be returned to partners before the partnership is dissolved.

Possible uses for limited partnerships include:

- private equity and venture capital schemes;
- management buy-outs and project finance;
- property development schemes;
- collective investment funds;
- tax and financial planning;
- estate planning and asset protection; and
- bank capital raising.

Formation and regulation of limited partnerships

Jersey limited partnerships are established pursuant to the Limited Partnerships (Jersey) Law 1994 (the **LP Law**).

The LP Law is a permissive law and, subject to a few limited requirements, allows the partners in a Jersey limited partnership flexibility in writing the terms of the limited partnership agreement to best suit their needs.

A Jersey limited partnership can be readily established in Jersey by filing the necessary forms (including a declaration of limited partnership) with the JFSC. It is possible to register a limited partnership in Jersey on a fast-track 'same-day' basis.

Depending on the nature of the activities of the limited partnership it may be necessary to obtain further consents from the JFSC, primarily where the limited partnership forms part of a collective investment fund (please contact us for a copy of our guides on different types of Jersey funds).

Tax treatment of limited partnerships in Jersey

The limited partnership itself is not assessed to Jersey income tax. Instead, the partners are assessed in their own names in the following manner:

- Jersey resident partners are charged Jersey income tax on their share of the income arising from the limited partnership.
- Non-Jersey resident partners are not subject to Jersey income tax or withholding tax on distributions received by them from the limited partnership unless the limited partnership is trading in Jersey or in receipt of Jersey source investment income (other than bank and building society deposit interest).

Interest received by a non-Jersey resident partner from a loan made to a limited partnership will not generally be regarded as Jersey-source income.

There are no taxes on capital gains in Jersey.

Economic substance

A non-fund limited partnership is required to provide certain information to the Comptroller of Revenue in Jersey to assist him in determining whether the economic substance test is applicable to that limited partnership and, if applicable, has been/continues to be met. Please see our guide on [Jersey partnerships – New guidance published in relation to the economic substance law](#) for details of the information that will be required.

Other types of limited partnerships

In 2011, Jersey introduced two additional types of limited partnerships: the 'separate limited partnership' and the 'incorporated limited partnership'. These two new limited partnerships offer a degree of separate

legal personality and complement the range of existing partnerships that are already available in Jersey. A separate guide on the new types of limited partnerships is available.

Enhancements to the LP Law

On 12 August 2022, some welcome enhancements and further flexibility were introduced into the LP Law, together with a new statutory process for terminating a limited partnership. Please see our update on [New enhancements to the Jersey Limited Partnerships Law](#).

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