

The taxation of limited liability partnerships in Jersey

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Limited liability partnerships in Jersey are a statutory form of vehicle established under the Limited Liability Partnerships (Jersey) Law 2017. Limited liability partnerships have a number of special characteristics, including being subject to a distinctive treatment for the purposes of taxation in Jersey.

Limited liability partnerships in Jersey are unlike limited liability partnerships in many other jurisdictions in that, whilst having separate legal personality, they have the legal characteristics of partnerships and are not corporate vehicles. The separate legal personality of a Jersey limited liability partnership means that, amongst other things, notwithstanding that it is a partnership, contracts are made with the limited liability partnership and, in order to bind it, must be made with the limited liability partnership itself rather than the partners. Consequently, a limited liability partnership can own property in its own right and name and bears its own debts and liabilities which are met from the property of the limited liability partnership.

For the purposes of taxation in Jersey, however, limited liability partnerships are treated quite differently. Assessments of tax will not be raised on the limited liability partnership itself. Instead, the separate legal personality of the limited liability partnership will be looked through so that tax will be assessed directly on the partners of the limited liability partnership, on their share of the profits or gains of the limited liability partnership. In this, the treatment is consistent with the taxation of partners in other forms of statutory partnership in Jersey: limited partnerships, incorporated limited partnerships and separate limited partnerships. Profits or gains for these purposes do not include profits or gains of a capital nature.

The effect is that, for the purposes of income tax in Jersey, a trade, profession, business or vocation carried on by a limited liability partnership with a view to profit or gain is treated as carried on in partnership by its partners and not by the limited liability partnership as such. Accordingly, for the purpose of income tax in Jersey, the property of the limited liability partnership is treated as partnership property of the partners and not as property of the limited liability partnership. In this, the position as to how and by whom limited liability partnership business is carried on and how and by whom limited liability partnership property is owned is treated differently under the law relating to the taxation of the limited liability partnership from the way that these matters are treated under the law establishing limited liability partnerships.

The responsible partner of a limited liability partnership is required to notify the Comptroller of Revenue (the **Comptroller**) by midnight on 30 November in the year following the year of assessment whether the partnership has a source of income which would, if amounting to profit or gain, give rise to any partner's liability to tax in Jersey. If so, the obligation to prepare and deliver to the Comptroller a true, complete and correct Partnership Combined Notification also falls upon the responsible partner. The notification will be used to capture relevant information relating to the partnership's economic substance and income tax.

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 determining whether activities are to be treated as international activities and the liability to income tax in that regard, a limited liability partnership controlled and managed abroad is deemed to be resident outside Jersey, even if some of the business of the limited liability partnership is carried on in Jersey or some of the partners are resident in Jersey. This rule does not, however, extend to

the position where profits or gains of the limited liability partnership arise from a trading operation in Jersey.

From 16 December 2022 the Comptroller can approve, on application, any foreign limited liability partnership or foreign limited liability partnership established under legislation that the Comptroller has approved which is made in another jurisdiction. A foreign limited liability partnership that has been approved by the Comptroller is treated as if it is a Jersey limited liability partnership for Jersey income tax purposes. If the Comptroller approves the legislation of another jurisdiction, a foreign limited liability partnership established in that jurisdiction must still make an application under the Income Tax Law (Jersey) Law 1961 to be treated as a transparent entity.

Comment

Where profits or gains arise from the business of a separate legal entity, without specific provisions in the law governing how they are taxed, they would normally fall to be taxed as the profits or gains of that legal entity. By treating the profits or gains arising from the business of the limited liability partnership as the profits or gains of the partners themselves rather than of the limited liability partnership itself, the intention is to bring the treatment of limited liability partnerships in line with standard international practice in this regard and to make the limited liability partnership vehicle more attractive for use by international investors.

Contacts

A full list of contacts specialising in corporate law can be found [here](#).