

## Qualifying partnerships – the Guernsey solution

Service area / [Corporate](#)

Location / [Guernsey](#)

Date / [August 2014](#)

Carey Olsen recently assisted a client to form a Guernsey limited liability partnership (“Guernsey LLP”) to act as general partner of a UK limited partnership for the purpose of ensuring that the UK limited partnership was not subject to the UK Partnership Accounts Regulations 2008 (the “Regulations”). We believe this is the first Guernsey LLP to be so used.

### Qualifying partnerships – the Guernsey solution

The Limited Liability Partnerships (Guernsey) Law, 2013 (the “Law”) came into force on 13 May 2014. A description of the features and potential uses of Guernsey LLPs can be found here. As that briefing anticipated, one of the potential uses of a Guernsey LLP is as a general partner vehicle, particularly in light of recent changes to the Regulations. The Regulations require “Qualifying Partnerships” to prepare and file with the UK registrar annual accounts which comply fully with UK GAAP or IFRS. Investment funds which are structured as UK limited partnerships are likely to be caught by the Regulations. However, many fund promoters are naturally reluctant to make the accounts of Qualifying Partnerships publicly available in this way and, indeed, regard accounts prepared in that format as neither appropriate nor beneficial to their investors. The simplest way to avoid being subject to the Regulations is not to use UK limited partnerships at all and a number of Carey Olsen’s clients have adopted this approach for their latest funds. However, for Qualifying Partnerships established before the recent changes to the Regulations were proposed, it is often not feasible to replace those vehicles with non-UK partnerships. The definition of a Qualifying Partnership under the Regulations does not include a UK

limited partnership if at least one of its general partners is a limited liability partnership (“LLP”). Accordingly many promoters are considering the appointment of an LLP as an additional general partner to any Qualifying Partnerships within their structures. A number of jurisdictions have had legislation enabling the formation of LLPs for some time but the implementation of the Law means that Guernsey LLPs are now also available to fulfil this role. In addition, UK counsel have confirmed that a UK limited partnership which appoints a Guernsey LLP as a general partner is not a Qualifying Partnership. For fund promoters who already use Guernsey structures, the appointment of a Guernsey LLP to this role may be an obvious choice simply because of the administration resources already available to it in the jurisdiction. In addition, the following features of Guernsey LLPs make them an attractive option even for promoters who have not previously done business in the island:

- Details of members of a Guernsey LLP are not publicly available.
- Guernsey LLPs are tax transparent.
- There is no requirement to audit the financial statements of a Guernsey LLP.
- There is no requirement to file the accounts of a Guernsey LLP.

The Regulations apply to the first financial year of a Qualifying Partnership commencing on or after 1 October 2013. Accordingly, it is anticipated that many fund promoters will wish to restructure their existing structures in this way by 31 December 2014.

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