



Introduction of Limited Liability Partnerships in Guernsey

Service area / [Investment Funds](#)

Location / [Guernsey](#)

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In response to increasing demand for limited liability partnership structures in Guernsey, and following the successful adoption of such structures in other jurisdictions, the States of Guernsey have recently approved draft legislation which introduces limited liability partnerships to Guernsey (the “LLP Law”). The draft law is expected to receive Royal Assent and come into force prior to July 2014, and Carey Olsen has already begun to advise clients on the potential uses and benefits of such structures to their business.

This note briefly explains some of the key features of these new limited liability partnerships (“LLP”) and explores their potential uses.

Key features

The key features of an LLP are that:

- It is a body corporate with separate legal personality and unlimited capacity.
- It may be formed for any lawful purpose and carries on business and owns its assets in its own name.
- It must have at least two members.
- Members are not liable for the debts of the LLP, and in the ordinary course their liability is limited to the capital that they have agreed to contribute to the LLP.
- It will be transparent for Guernsey tax purposes.

- It must have a written LLP agreement to govern the relationship between the members and the LLP, which agreement is private to the LLP and is binding on all members and the LLP itself.
- Members will have almost total freedom to agree the ownership, operation and management of the LLP.
- The names and addresses of members of the LLP must be notified to the registrar of companies, but there is no requirement to file profit-sharing or other details.

LLP agreement

Every LLP shall be required to have a written agreement which sets out the relationship between the members, which agreement shall be binding on all members and the LLP as if they had each executed it. Members will have a great deal of flexibility to organise the LLP to suit their business requirements, but in the absence of express provisions the LLP Law will impose certain standard terms which may not be appropriate in the circumstances.

It will therefore be very important to adopt a comprehensive LLP agreement that accurately reflects the intention of the parties. Carey Olsen has prepared a standard form template LLP agreement which can be used with minimal changes for a simple LLP or can form the basis of a more bespoke agreement.

Incorporation, records and filings

As a hybrid between a company and a partnership, it will be no surprise that many of the administrative requirements of those bodies will apply equally to LLPs. An LLP will be capable of being formed by a corporate services provider by way of online application, in much the same way as a company in Guernsey. Each LLP will be required (unless exempted by law) to have a resident agent who shall be responsible for identifying the beneficial owners of the LLP. An LLP must keep statutory books and records at its registered office (which must be in Guernsey), including the register of members, the LLP agreement, accounting records and the minutes of all meetings of the members. All of the above records must be made available for inspection by the public during ordinary business hours unless the members' agreement provides otherwise. However, the register of members must be open during ordinary business hours for inspection by any member or any member of the public for a fee.

Conversions and migrations

An existing Guernsey partnership will be able to convert to LLP status by following the procedure laid down in the LLP Law. Upon incorporation by the registrar, all property, liabilities and obligations vested in the firm will be transferred to and vest in the LLP, and the firm will be dissolved. All agreements, contracts (including employment contracts) security documents and licences issued in the name of the firm will continue and be enforceable against the LLP. LLPs will also be capable of migration into and out of Guernsey in accordance with the procedures laid out in the LLP Law. Such migrations will preserve the existing legal entity of the LLP (together with its assets and liabilities) and merely transfer it into or out of the jurisdiction of Guernsey law.

Potential uses

Their inherent flexibility means that LLPs are likely to prove a popular choice in a number of different commercial scenarios. Professional services firms that have historically structured themselves as partnerships will be attracted by the limited liability and flexible management arrangements afforded to members of an LLP, and it is for such firms that LLPs have proved particularly popular in the UK. In addition to such staffed businesses, LLPs are likely to be ideally suited to special purpose "Mancos" and general partner vehicles, particularly in light of the recently introduced changes to the UK's Partnership Accounts Regulations. Similarly LLPs are likely to prove popular for real estate joint-ventures and other investment "clubs" where participants will be attracted by the ability to take an active part in the management of the LLP and its investments without giving up their limited liability. Indeed, the ability to tailor the economics of LLPs will also make them attractive as simple asset holding vehicles, even in the absence of any active investment management. It is this flexibility that makes LLPs such an exciting new part of Guernsey's legal landscape.



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