Jersey Limited Liability Partnerships versus the United Kingdoms Limited Liability Partnerships

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Jersey Limited Liability Partnerships versus United Kingdom Limited Liability Partnerships - which are better?

Introduction

The Jersey Limited Partnerships (Jersey) Law 2017 replaces the Limited Liability Partnerships (Jersey) Law 1997 from 1 August 2018. The new Law replaces the old framework to make the Jersey LLP more competitive and the vehicle of choice for local and international businesses.

The briefing looks at a comparison of Jersey and UK LLPs. The key advantages to using a Jersey limited liability partnership (**JLLP**) over a United Kingdom limited liability partnership (**UK LLP**) relate to tax, flexibility, accounting standards and requirements and the ability of a partner to the LLP to also be an employee of the LLP at the same time.

There is no concept of inheritance tax in Jersey so Jersey resident partners of the LLP will not be subject to inheritance tax.

An interest in an LLP will normally be considered a non UK situs asset for inheritance tax purposes.

An LLP is tax transparent for Jersey income tax purposes; no assessment is raised on the LLP itself, but the partners in an LLP are potentially assessable for tax in their own names. However, non-Jersey resident partners in an LLP are not subject to Jersey tax other than in respect of certain Jersey source income, such that generally no Jersey tax will be payable by non-Jersey resident partners.

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, an LLP controlled and managed abroad is deemed to be resident outside Jersey, even if some of the business of the LLP is carried on in Jersey or some of the partners are resident in Jersey. This rule does not extend to the position where profits or gains of the LLP arise from a trading operation in Jersey.

LLP members are taxed individually on their share of the profits and will each have to register with HMRC for Self-Assessment, file a tax return each year and pay income tax and national insurance on their personal income.

A solvency statement must be made by the LLP that it is solvent now and will remain solvent until 12 months into the future considering the financial resources available to the LLP and the intentions of the partners who control the management of the LLP in respect of the management of the LLPs business.

Any property withdrawn by a partner or former partner at any time when the LLP has not made a solvency statement in the 12 months immediately preceding the withdrawal shall be returned and if the property withdrawn was

Past and present members are liable to contribute to the assets of the LLP to the extent that they have agreed to do so with the other members in the LLP agreement.

Any amounts withdrawn by a member in the two years before the start of the winding up can be clawed back if the member knew or out to have concluded that after the withdrawal and any

otherwise than in cash, the partner shall pay a sum equal to the higher of the value of the property as at the date withdrawn and its value at the date of payment for the property.

withdrawals in contemplation at the time, there was no reasonable prospect of the LLP being able to avoid an insolvent liquidation.

Unless an LLP agreement requires otherwise, it is not necessary to appoint an auditor or have an LLP's accounts audited. An LLP must keep accounts, which may be drawn up in any currency, and must keep those accounting records for at least ten years. Any specified

solvency statements must also be retained for the same period.

No requirement to file accounts with any authority (unless the LLP is undertaking certain types of financial services business).

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