

Guernsey Partnerships: A Brief Guide

Introduction to Guernsey

Guernsey is a British Crown dependency located in the English Channel. Guernsey has established itself as an international finance centre, offering a range of services including banking, insurance, investment funds, wealth management, and trust and corporate services. It is widely seen as one of the best regulated jurisdictions in the world for such services.

Guernsey partnership law has evolved rapidly since the 1990's to allow for the formation of various forms of partnerships with limited liability. These are popular both as collective investment vehicles and for general trading and investment.

Guernsey Law

Guernsey has a mixed legal system. The Anglo-Saxon Common Law system has a major influence, but the core source of law is Norman Customary Law.

Any two or more persons undertaking business with a view to profit in Guernsey will be operating a partnership under The Partnership (Guernsey) Law 1995, even where there is no formal partnership agreement. The partners of such a general partnership have no limitation of liability.

However, the vast majority of partnerships in the investment and wealth structuring sphere are now incorporated as either a Guernsey Limited Partnership (LP) or a Guernsey Limited Liability Partnership (LLP). The governing law for those partnerships is The Limited Partnerships (Guernsey) Law 1995 and The Limited Liability Partnerships (Guernsey) Law 2013.

GUERNSEY LIMITED PARTNERSHIP (LP)

Key features and concepts:

Legal Personality

The LP may elect at the Registry on incorporation to have a separate legal personality from its partners, but this is not a requirement. Limited Partner Interests in an LP may be listed on the Channel Islands Security Exchange.

Flexibility and Governance

The Guernsey LP provides a flexible legal structure that allows for the pooling of capital from multiple investors. The legislation grants significant autonomy to the partners, allowing them to customise the partnership agreement to suit their specific needs. The partnership agreement, which is required by law, sets out the rights, obligations, and profit-sharing arrangements between the general and limited partners.



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Distinct Partner Roles

The partnership requires at least one limited partner and at least one general partner. The general partner will be responsible for the management of the partnership and its assets and is the only partner whose liability is unlimited. Each limited partner's liability is restricted to his capital contribution and any undrawn profit. This distinction allows for a clear separation of responsibilities and risk exposure. Limited partners are typically coming into the partnership as passive investors, with the investments managed professionally by the general partner.

Taxation

Guernsey has a favourable tax regime, with no capital gains, inheritance, stamp or value-added taxes. The partnership itself is transparent for tax purposes, meaning that profits and losses flow through to the partners, who are then subject to tax in their respective jurisdictions and there is no tax leakage at the level of the partnership.

Regulatory Environment

The Guernsey Financial Services Commission (GFSC) is the regulatory authority responsible for overseeing the financial services sector in Guernsey. The GFSC has a well-established reputation for maintaining high regulatory standards, ensuring investor confidence and market integrity.

More specifically, LPs which constitute closed or open-ended collective investment schemes will be subject to the investment fund regulatory regime set out in the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Formation and administration

Registration of a limited partnership is a legal requirement to distinguish it from a conventional partnership and ensure limited liability for its limited partners.

Incorporation may only be carried out by a Licensed TCSP on the island such as Verfides.

In order to register a limited partnership, a declaration in the prescribed form, signed by the general partner, and the prescribed fee must be delivered to the Guernsey Registry who administer LPs on behalf of H.M. Greffier. The declaration must state:

- the name of the limited partnership;
- the nature and principal place of its business;
- its registered office;
- the duration of the limited partnership; and
- name and address of all general partners.

There is no requirement to provide the names of the limited partners or to file a copy of the limited partnership agreement.

Where it is intended that the limited partnership has separate legal personality, notice of such election must be made at the time of registration and such an election cannot be made at a later date. Where a limited partnership

has separate legal personality, its name must include the word “incorporated” or any similar expression approved in writing by the GFSC.

Accounting, Audit and Annual Returns

The following records must be maintained at the registered office of the limited partnership but do not need to be filed with the Registry:

- the limited partnership agreement and every amendment thereof;
- a register of limited partners, showing their full names and addresses;
- the capital accounts of each partner;
- the limited partnership’s accounting records;
- the minutes of all meetings of general partners; and
- all documents filed with the Guernsey Registry.

Limited partnerships must maintain accounting records on a similar basis to companies, such that the financial position of the limited partnership is ascertainable from time to time, but accounts are not filed for public viewing.

If a Guernsey limited partnership is carrying on certain financial services activities, it will be subject to audit requirements under the Partnerships Law.

Each LP must file an Annual Validation Return with the registry with details of any changes to its constitution.

GUERNSEY LIMITED LIABILITY PARTNERSHIP (LLP)

Key Features and Concepts

A Guernsey LLP is essentially a general partnership but with limited liability for the members. It is often used for trading purposes (especially in professional services) but also has uses in certain investment and joint venture arrangements, particularly where investors wish to take a more active role (which is not possible for an investor in an LP).

An LLP is a body corporate with separate legal personality but is transparent for Guernsey tax purposes.

As with an LP, a partnership agreement must be put in place between the partners, but as all partners have limited liability, the agreement can be very flexible indeed and tailored to the needs of the partnership and its investments.

Formation

A Guernsey LLP must be incorporated by a licensed trust and corporate services provider such as Verfides and must have a registered agent on the island.

A statement (signed by all members) containing the following information must be filed with the Registrar on registration of the LLP:



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1. its name;
2. the name and address of its resident agent;
3. the nature and principal place of its business; and
4. its registered office address (which must be in Guernsey).

A register of members is filed (and updated when required) at the Registry but is not publicly viewable.

Records and Filings

There is no obligation to file financial information relating to the LLP with the Registrar, although such information is required to be filed or kept at the LLP's registered office.

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.

Further Information

For further information please contact our Guernsey Office on +44 (0) 1481 738774 or e-mail guernsey@verfides.com.

This document has been prepared as a general guide and is based on the latest legislation and guidelines. Whilst every care has been taken in its preparation, Verfides cannot accept any responsibility for any person relying on this publication. Professional advice should be obtained before undertaking transactions and Verfides will be pleased to provide such advice where appropriate.

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