



## Guernsey Limited Partnerships

LIMITED PARTNERSHIPS HAVE BECOME AN INCREASINGLY POPULAR WAY OF HOLDING ASSETS. THEY HAVE PROVED PARTICULARLY POPULAR FOR PROPERTY HOLDING VEHICLES, BUT THEY HAVE WIDER USES.

### INTRODUCTION

Limited partnerships are governed by the Limited Partnerships (Guernsey) Law 1995. The General Partner or partners are liable for all debts, but individual Limited Partners are liable only to the extent of their contributions. Limited Partnerships must obtain a Certificate of Registration from the Guernsey Greffier, and must maintain a registered office in Guernsey. Limited partnerships carrying on or providing services in relation to the business of banking, insurance, investment, asset management or administration, trusteeship, company or trust formation and administration also produce audited accounts.

### FORMING THE LIMITED PARTNERSHIP

In Guernsey the formation of a limited partnership (LP) requires one or more persons who are General Partners and one or more persons who are limited partners. A person may be a limited and a General Partner at the same time. A body corporate may be either type of partner. In Guernsey this includes other partnerships, Limited Partners are not allowed to participate in the managing of the LP. There are exceptions to this, set out below.

### THE SEPARATE LEGAL ENTITY

In Guernsey a Limited Partnership may choose to have a separate legal personality. The LP will have a continuous existence whether or not it exists separately, but its General Partners must choose to create the separate personality when the LP is formed.

### REQUIRED DOCUMENTS

The name of an LP must include the words "Limited Partnership" or "L.P.", if the partnership has its own legal personality it must also add "Inc." to its name.

The LP must be registered at an office in Guernsey, and must give notice when it changes office location. At the registered office an LP must keep, in addition to other information and documents, the full name and address of each Limited Partner.

Any change in particulars, particularly a change in the name of a General Partner, must be given to the authorities within 21 days.

### LIABILITY

General Partners are jointly and severally liable for all debts of the LP. Limited Partners are only liable for the amount they contribute to the LP. However, if a Limited Partner participates in the management of the partnership he is liable to the extent a General Partner would be for the duration of participation. Also, if a Limited Partner knowingly lets his name be used in the name of the partnership he is liable as a General Partner.

## CONTRIBUTIONS

A Limited Partner may make contributions to the LP in money or property, but not in services or loans.

## DEFAULT

The penalty for default in following LP registration requirements are severe in Guernsey. Default occurs when the demands of updating the LP's particulars are not followed, including the paying of the registration fee.

In Guernsey default entails the loss of the LP's "limited" status. Thereafter each partner is deemed a General Partner.

## PERMITTED ACTIVITIES OF A LIMITED PARTNER

Limited partners, again, cannot participate in the management of an LP. However, a Limited Partner may be an agent or employee of the LP or of a General Partner, and may be a director, officer, or shareholder in a corporate General Partner.

A Limited Partner may consult with a General Partner on the activities of the LP and may investigate the activities of the LP. He may also act as a surety or guarantor for the LP, and may vote on the dissolution of the LP or its acquisitions or sales, contracts, changes of partners, or a number of other internal activities.

## AUDITS

The Guernsey Law requires the LP to appoint an auditor. The requirements of the annual auditor's report are similar to those for other companies. The auditor shall give his report to the partners and it is available for general and Limited Partners to view.

## TAX

LPs are not taxed for profits or gains arising outside the island. The same exemption applies to the profits made by limited partners. It is common for the partners nevertheless to operate the partnership as a 'Baker Trust' whereby the entire income from the partnership is directly attributable to the partners.

## DISSOLUTION

An LP is dissolved when its fixed term expires, when all partners vote to do so, or when its last General Partner dies or goes bankrupt, or withdraws from the LP. When the dissolution stems from the lacking of any General Partner the Limited Partners may appoint a new General Partner within 90 days. At any time a partner or a creditor (or, in Guernsey, the Financial Services Commission) may petition the island's court to order the dissolution of an LP.

In Guernsey grounds for a petition are somewhat specific. They may be made when it is not reasonably practicable to carry on the LP's business in conformity with the partnership agreement, or when the LP is insolvent. Insolvency is satisfied when the LP is indebted to a creditor for more than £750. The LP has a 21-day grace period in which to pay the debt after a creditor has petitioned for it to be paid.

## ORDER OF DISTRIBUTION

Upon the winding-up of an LP, the order of distribution of the LP's assets in Guernsey are as follows:

- Creditors other than partners,
- Creditors who are limited partners,
- Limited Partners in respect of their contributions,
- Limited partnership for their share of profits,
- General Partners other than in respect of capital or profits,
- General Partners in respect of capital, and
- General Partners in respect of profits.

## FOR MORE INFORMATION PLEASE CONTACT:

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