

Collas Crill explains... Limited liability partnerships in Guernsey

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This is part of a series of guides in which we examine areas of law that frequently arise in practice. Further guides will be released weekly; [click here](#) to subscribe to receive Collas Crill news and insights by email.

This week we outline what you need to know about limited liability partnerships (LLPs) in Guernsey.

Use

An LLP may offer a solution to those whose businesses are not suited to a pure corporate structure, while providing some protection against unlimited joint and several liability.

LLPs are a popular structure for professional advisory firms and medical practices, and are sometimes used in certain fund structures although, unlike in some jurisdictions, in Guernsey there are no restrictions on the type of business an LLP can undertake.

Legal personality and capacity

An LLP is a body corporate with separate legal personality apart from its members and unlimited capacity. In short, this means that the LLP has the freedom to enter into contracts in its own right, is responsible for its own debts and has the ability to own assets and undertake any type of lawful business in its own name.

Members

Partners in an LLP (of which there must be at least two) are referred to as members. There is no upper limit on the number of members an LLP can have.

Liability

Subject to any agreement among the members, a member of an LLP is not (by virtue of their membership of the LLP) liable for the debts of the LLP or any other member of the LLP.

Capital requirements

There are no statutory capital requirements for an LLP.

Tax

An LLP is tax transparent.

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LLP agreement

An LLP must have a written LLP agreement to govern the relationship between the members and the LLP. Members have a great deal of flexibility to agree the commercial terms of the LLP with regard to (among other things) ownership, operation, management and profit-sharing. The LLP agreement is binding on all the members and the LLP itself, and is a confidential document which is not filed with the Guernsey Registry (the Registry) or otherwise made publicly available.

Registration formalities

Registration of an LLP may only be undertaken by a Guernsey corporate service provider (CSP). Applications to register an LLP are made using online web forms. Same-day incorporation is available.

A statement (signed by all members) containing certain information about the LLP must be filed with the Registry on registration of the LLP. There is no obligation to lodge financial information relating to the LLP with the Registry.

Resident agent

An LLP must have a resident agent (unless the LLP falls within one of the exempt categories under the LLP Law). The resident agent may be:

- an individual resident in Guernsey (who is also a member of the LLP); or
- a CSP.

The resident agent is responsible for identifying the beneficial owners of the LLP.

Doing business with LLPs

Every member of the LLP is an agent of the LLP with power to bind the LLP. An LLP executes documents by any member signing in the name of the LLP, as member, although the LLP agreement can place additional requirements on its members before entering into contracts on the LLP's behalf, such as requiring majority approval of the members or requiring multiple members to sign contracts on behalf of the LLP.

Conversion

The Limited Liability Partnerships (Guernsey) Law 2013 (LLP Law) permits the conversion of a Guernsey general partnership into an LLP, provided that the partners of the general partnership immediately prior to the conversion are the same as the members of the LLP on conversion.

Following a conversion, all property, liabilities, obligations and existing contracts (including employment contracts) of the general partnership will by operation of law be transferred to the LLP and the general partnership will be dissolved.

Other provisions of the LLP Law

Many of the provisions of the LLP Law mirror Guernsey's companies' legislation. For example there are provisions dealing with:

- the capacity of an LLP;

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- migrations to and from jurisdictions with similar provisions in their laws;
- solvency testing; and
- insolvency and protective remedies.

These are familiar provisions in finance centres like Guernsey which are intended to create more flexible legal frameworks attractive to international businesses.

About this guide

This guide gives a general overview of this topic. It is not legal advice and you may not rely on it. If you would like legal advice on this topic, please get in touch with one of the authors or your usual Collas Crill contacts.

About Collas Crill

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