SLPs and ILPs can be seen as variations on the existing and frequently used 'traditional' limited partnership, which was introduced by the Limited Partnerships (Jersey) Law 1994. SLPs and ILPs are, however, each governed by their own separate and independent pieces of legislation, namely: the Separate Limited Partnerships (Jersey) Law 2011 and the Incorporated Limited Partnerships (Jersey) Law 2011.

The principal features of a traditional limited partnership are that:

- it does not have separate legal personality
- it must have at least one limited partner and one general partner
- the general partner has unlimited liability for the debts of the partnership
- the limited partners have limited liability

The key difference between a traditional limited partnership and a SLP is that a SLP will have its own legal personality distinct from that of its partners. This means that whilst a SLP is not a body corporate it is able to transact, hold rights, assume obligations and to sue and be sued in its own name.

An ILP also has separate legal personality, but the legislation provides that it shall also be a body corporate, with perpetual succession and unlimited capacity in terms of its activities.

In contrast to traditional limited partnerships and SLPs, the general partner of an ILP is expressed to be an agent of the partnership and is subject to a statutory duty of care similar to that imposed on directors of Jersey companies: to act honestly and in good faith with a view to the best interests of the partnership and to exercise the care diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Further, the general partner of an ILP is only responsible for the debts of the partnership after the partnership itself has defaulted.

Some of the potential advantages of SLPs are listed below:

Flexibility: A SLP or ILP may be set up for "any lawful purpose" and there are no prescriptive requirements in relation to the contents of the partnership agreement.

Registration: Neither a copy of the partnership agreement nor details of limited partners and their capital contributions to the SLP or ILP need to be filed with the registrar.

Favourable taxation treatment: Under Jersey tax laws, SLPs and ILPs are

Two ships come sailing in

Since April this year there have been two new types of legal vehicle available in Jersey: the separate limited partnership ('SLP') and the incorporated limited partnership ('ILP'). These new species of limited partnership have been introduced to complement the range of vehicles already available in Jersey, giving fund and private equity promoters additional options for the creation of their Jersey investment and carried interest vehicles. But what do these two new partnerships have to offer? Richard Le Liard of Bedell Group reports for Connect.

treated in the same way as traditional Jersey limited partnerships and are not assessable to Jersey income tax. As a result of investing in an SLP or ILP, non-Jersey resident partners will not be liable to Jersey income tax other than in respect of certain Jersey source income (excluding interest on Jersey bank deposits),

Under Jersey tax laws, SLPs and ILPs are treated in the same way as traditional Jersey limited partnerships and are not assessable to Jersey income tax.

which generally means that no Jersey tax will be payable by non-Jersey resident limited partners.

Whilst tax advice should always be sought, it is anticipated that SLPs will be treated as transparent for the purpose of UK income tax, capital gains tax, corporation tax and stamp duty land tax. UK tax counsel opinion issued in connection with the preparation of the ILP Law indicates that ILPs are likely to be treated as transparent for the purpose of UK income tax, corporation tax and stamp duty land tax but, in contrast to SLPs and traditional Jersey limited partnerships, opaque for the purpose of UK capital gains tax.

Body Corporate Status: International law is clear that the status of a body corporate is governed by the jurisdiction in which it is incorporated, and therefore an ILP may be advantageous for investors resident in civil law jurisdictions or jurisdictions which are not familiar with the concept of, or which may not recognise the limited liability afforded by, a foreign limited partnership.

Perpetual Succession: ILPs will continue to exist until there is some definite act of dissolution as prescribed by the legislation. This is useful where persons contracting with the partnership would be uncomfortable with dealing with a partnership if it could be dissolved at the will of the partners or by operation of law.

No Audit: There is no statutory requirement under the SLP Law or the ILP Law for an auditor to be appointed.

Reporting Funds Regime: UK tax counsel's opinion suggests that neither SLPs nor ILPs are likely to fall within the scope of the UK Reporting Funds Regime.