

Family Limited Partnerships in Guernsey

Our clients know what they want to achieve. We know how to get there. Working with some of the sharpest minds in corporate law and finance, we pull together the right blend of services to suit each client's unique situation. With an international network of experts and a rich history in the financial world, we have the people and knowledge to help you succeed. Partnership, premium quality and personal attention. That's how we've remained a leader in Trust and Corporate Services since 1952.

In Guernsey, we pride ourselves on the fact that we are unashamedly focussed on our capabilities and in turn supported by a long history of professional practice, services and expertise.

Over the last few years a number of measures have been enacted in the UK which have limited the ability to use trusts for estate planning. In outline where a UK domiciled settlor sets up a trust, there is an immediate 20% inheritance tax (IHT) charge on the initial capital above the nil rate band threshold (currently £325,000) plus ongoing 6% charges on each tenth anniversary of the trust, plus exit charges.

As an alternative there is increasing interest in the use of Family Limited Partnerships (FLP's), as they can provide the flexibility of a trust but without the IHT charges explained above.

An FLP is a limited partnership in which the donor contributes assets in return for a limited partnership interest. That interest will typically give rights to the majority of the income and capital of the FLP. The FLP will also have a General Partner who will manage the FLP but only have a small share in its income and capital.

From a tax perspective the FLP is transparent with the limited partners being taxed directly on income and capital gains attributable to their share.

The FLP provides significant IHT benefits because the limited partner interest may be transferred as a potentially exempt transfer (and therefore tax free if the donor survives seven years).

The donor can therefore gift his limited partners share tax efficiently and at the same time controls can be built in; for example the FLP deed may provide that shares of capital cannot be withdrawn without the General Partners consent. There may also be restrictions placed on the transfers of partnership interests and on the ability to charge interests.

In summary the FLP can be used as a tax efficient alternative to a trust structure, and is particularly of interest to UK domiciliaries who would otherwise be subject to IHT charges on transfer.

Services provided

- > Liaison with family adviser and assistance with drafting of partnership agreement.
- > Ability based on extensive experience to provide and manage a Corporate General or Limited Partner, where needed.
- > Provision of full bookkeeping and accounting services.

Related / additional services

- > Specialist taxation services encompassing a full range of Guernsey, UK and International Tax planning and Tax Compliance Services.
- > Trust and company formation and administration services.
- > Fund administration services.

The next step

We are confident that Intertrust in Guernsey can deliver the fiduciary and taxation services you need and would encourage you to make contact. You will want to get to know us. We want to get to know you.

Contact

For further information on Family Limited Partnerships in Guernsey or any other services offered by Intertrust in Guernsey, please contact:

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Setting the standard since 1952

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