

Partnerships Overview

A partnership may exist when two or more people (up to 20 persons) make it known that are carrying out a business in common, to make a profit.

A partnership is not a legal body and has no legal status.

When Partners leave or join an existing partnership, they effectively form a new partnership.

The Inland Revenue, other statutory departments, Banks, etc. now accept the continuance of a partnership and the outgoing or incoming partner is treated as self-employed. The present Partners accept at all times, the past and present actions of all the Partners, unless written statements are known by any aggrieved parties that Partners have a different relationship with each other.

The relationship between the partners does not need to be in a written format, but the Partnership Act 1890 will be deemed to apply where no other formal documents have been entered into by the partners. Bank Accounts and Hire Agreements etc will state the responsibilities of the partners in these documents.

Each of the partners actions (to the partnership customers, creditors and others) are in both, their joint capacity and sole capacity, in any transactions and statements that they make on behalf of the business. This is known as "Joint and Several". It means that in a court of law, they can be sued for the debts of the partnership, or of their actions to the partnership, either individually or jointly. Any shortfall in the satisfaction of a debt can be taken from the partners in unequal proportions until the debt is settled.

The **Limited Liability Partnership Act 2000** is a form of a limited company to restrict the liability of partners. The partnership has to file Annual accounts and Returns with the Registrar of Companies, and the partnership is a separate legal entity.

If a Partner leaves a Partnership, letters should be sent to all Creditors and interested parties detailing the partner that has left and the new partners that will continue the trading relationship. In addition the letter may state that the departing partner is no longer liable for any debts incurred by the partnership going forwards.