

FACTSHEET 17

Partnerships : Do I Need A Partnership Agreement ?

Those new businesses who form as a Partnership venture should definitely set out the terms of the Partnership in a formal Partnership Agreement . This will usually require the input of a solicitor . The Agreement itself will be drawn up to address the terms governing how the Partnership will operate and will address how to deal with many unforeseen situations that could crop up down the line .

Before approaching any solicitor the Partners should address the following issues :

Business Operation

- Each partners' responsibilities
- Working hours and holidays
- Provision of cars
- Who will make decisions .

Financial Matters

- Who will provide initial capital
- What will the interest arrangements be on that capital
- How will the profit be allocated
- What will the permitted level of drawings be for each partner
- How will partners tax be paid
- How will the business bank account be operated
- Who will prepare the business accounts

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Other Events

- What provisions exist to deal with the retiral of a partner
- What provisions exist to deal with the death or long term illness of a partner
- What provisions exist to deal with the bankruptcy of a partner
- What independent body will arbitrate over any disputes that cannot be resolved among the partners.

If no written Partnership Agreement exists then the Partnership Act 1890 comes in to play . This Act adopts a standard position which if applied can result in an entirely different outcome from that intended by the Partners when the business was formed .

For further advice and before taking any action please give me a call .

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