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BUSINESS PARTNERSHIPS

If you are contemplating forming a partnership to operate your business, then you should be aware of your obligations under The Partnership Act 1908.

When you operate as a partnership, you will be 100% liable for all the debts of the partnership. The fact that you have one other partner will not mean that you will only be liable for half the debts. You will also be liable for any misappropriation or dishonesty of your partner, even when you have no knowledge.

If a dispute arises and you don't wish to dissolve the partnership, you may be forced to make application to the Court which is expensive and time consuming. You will also be liable for partnership debts after your resignation from the partnership where the public is unaware of your resignation.

Your partner can bind you to obligations and/or contracts without your knowledge. If your partner enters into a contract, then you will be liable for the terms of the contract even though you have no knowledge of his or her actions.

Your personal assets will be available to creditors of the partnership business. The partnership does not have the benefit of limited liability like a company does.

If you are considering the formation of a partnership to operate your business, then we recommend the following course of action:

(a) Have a written Partnership Agreement. The agreement

should also include a dispute resolution process to avoid the expense of Court action. Although there is an initial expense in having the agreement drawn up for you, we believe this is far preferable than the cost of having to commence Court proceedings to obtain assets back out of the partnership when the business relationship fails;

- (b) Restructure your personal assets to avoid them being used up by the partnership business when the relationship fails. For example, having your family home and other assets owned by a family trust;
- (c) Upon resignation from the partnership, placing an advertisement in the Public Notices of the local daily newspaper and also writing to all creditors of the partnership business;
- (d) Have regular meetings with your partner or partners where all the figures and bank account details are tabled. If the business is not working out too well, this will allow early detection.

If you have any further queries in regards to business partnerships, do not hesitate to contact us as we are more than happy to assist with your queries.

• **Our next newsletter covers the topic of Contracting Out Agreements—by Lloyd Collins**