

Partnership Agreements

People starting up in partnership often ask whether it is really necessary to have a formal partnership agreement. The answer is definitely ‘Yes’.

Basically, the agreement should set out the rules governing how the partnership operates, and should cover the main ‘What happens if ...’ situations. If there is no agreement, there will be a large element of uncertainty, and applying the underlying law, such as the Partnership Act 1890, may well lead to unwanted results.

It is usually best to have a partnership agreement drawn up by a solicitor, but before you reach that stage you should think about exactly what you want the agreement to cover. In particular, you should consider:

Running the business

- partners’ duties
- working hours and holidays
- decision-making procedures
- business premises
- cars

Financial matters

- profit-sharing arrangements, and drawings on account
- partnership capital (and interest arrangements)
- banking and financial arrangements
- accounting arrangements
- making provision for tax payments

Special circumstances

- partner retirement procedures
- death of a partner
- disability of a partner
- establishing the right to expel a partner
- arbitration for unresolved disputes
- business valuation procedures.

Do call us if you would like further help or advice on this subject.