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Partnership Law in Cyprus

Partnerships

The Cyprus Law on Partnerships and Trade Names (Cap. 116 of the Laws of Cyprus) hereinafter referred to as "the Partnerships Law", provides that a Partnership is the relation which subsists between persons carrying on a business in common with a view of profit (Section 5(1)).

Such partnership may be general or limited the difference being that a limited partnership must consist of one or more general partners, who shall be liable for all debts and obligations of the partnership, and one or more limited partners who shall at the time of entering into such partnership contribute a sum as capital or property valued at a stated amount and who shall not be liable for the debts or obligations of the business beyond such contribution. Such contribution can not of course be received back.

Liability

In a general partnership, every partner in a partnership will be liable jointly with his other partners for all debts and obligations of the firm incurred whilst he is a partner. Moreover after his death his estate is also severally liable for such debts and obligations.

Limited Liability Partnerships operate slightly differently to general partnerships in that limited liability can be enjoyed to a certain extent. A limited liability partnership consists of one or more persons (general partners) who will be liable for all of the debts and obligations of the company and other (limited) partners who shall, upon joining the partnership, contribute a sum (capital or property) and shall only be liable for the debts and obligations of the firm to the extent of the amount contributed (Section 47(2) Partnership and Business Names Law).

Registration

All partnerships, either general or limited, carrying on business in the Republic of Cyprus, is registrable with the Registrar of Partnerships which is the same official body as the Registrar of Companies and Official Receiver.

Registration takes place by delivery to the Registrar within one month from the date of the establishment of the partnership (which is established by an instrument/contract signed by the partners thereto) of a statement signed by all partners and containing the following:

- (1) The name of the partnership;
- (2) The general nature of the business of the partnership;
- (4) The principal place of business;
- (5) The names and details of the partners and whether these are general or limited partners;
- (6) The date of the partnership's commencement and its term;
- (7) A statement that the partnership is limited, if applicable;
- (8) The sum contributed by each limited partner and whether paid in cash or otherwise, if

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applicable;

- (9) The names of the general partners who are authorized to administer the affairs of the partnership, to manage it and sign for it.

Management of a Partnership

The decisions concerning the general partnership are made by the partners. Every partner is an agent of the firm and the acts of any partner performed in the usual scope of business of the firm will bind the firm and the other partners of the firm (Section 8 of the Partnership and Business Names law).

What is important to note with respect to limited partnerships, is that in accordance with Section 49 of the Partnership Law, a limited partner is prohibited from taking part in the management of the partnership and does not have the power to bind the partnership.

Should such limited partner, take part in the management of the business of the partnership, it shall be liable for all the debts and obligations of the partnership incurred while it so took part, as if it were a general partner.

Dissolution

General

A partnership is dissolved:

- (a) if entered into for a fixed term, by the expiration of that term; or
- (b) if entered into for a single adventure or undertaking, by the termination of that adventure or undertaking; or
- (c) if entered into for an undefined time, by any partner giving notice to the other or others of his intention to dissolve the partnership.

Subject to the exceptions and/or limitations set out below and concerning limited partnerships only, the Partnerships Law further provides that:

- (1) Subject to any agreement between the partners, every partnership is dissolved as regards all the partners by the death or bankruptcy of any partner;
- (2) A partnership may, at the option of the other partners, be dissolved if any partner suffers his

shares of the partnership property to be charged under the Partnerships Law for its separate debt;

- (3) A partnership is in every case dissolved by the happening of any event which makes it unlawful for the business of the firm to be carried on or for the members of the firm to carry it on in partnership;
- (4) On application by a partner, the Court may order the dissolution of a partnership in any of the following cases:
 - i. when a partner is shown, to the satisfaction of the Court, to be of permanently unsound mind, in which case the application may be made as well on behalf of that partner by his next friend, or person having to intervene as by any other partner;
 - ii. when a partner, other than the partner suing, becomes in any other way permanently incapable of performing his part of the partnership contract;
 - iii. when a partner, other than the partner suing, has been guilty of such conduct as, in the opinion of the Court, regard being had to the nature of the business, is calculated to prejudicially affect the carrying on of the business;
 - iv. when a partner, other than the partner suing, wilfully or persistently commits a breach of the partnership agreement or otherwise so conducts himself in matters relating to the partnership business that it is not reasonably practicable for the other partner or partners to carry on the business in partnership with him;
 - v. when the business of the partnership can only be carried on at a loss; and
 - vi. whenever in any case circumstances have arisen which, in the opinion of the Court, render it just and equitable that the partnership be dissolved.

Limited Partnership

In the case of a limited partnership, the following provisions apply, as far as dissolution is concerned:

The limited partnership shall not be dissolved by the death or bankruptcy of a limited partner, and the lunacy of a limited partner shall not be a ground for



dissolution of the partnership by the Court unless the lunatic's share cannot be otherwise ascertained and realised;

In the event of the dissolution of a limited partnership its affairs shall be wound up by the general partners unless the Court otherwise orders.

Subject to any agreement express or implied between the partners:

any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the general partners;

a limited partner may, with the consent of the general partners, assign his share in the partnership, and upon such an assignment the assignee shall become a limited partner with all the rights of the assignor;

the other partners shall not be entitled to dissolve the partnership by reason of any limited partner suffering his shares to be charged for his separate debt;

a person may be introduced as a partner without the consent of the existing limited partners;

a limited partner shall not be entitled to dissolve the partnership by notice.

Taxation

Section 64 of the Partnership and Business Names Law states that every partnership shall keep books of account which exhibit and explain transactions and financial position in their trade, business or profession. Individual partners are individually responsible to account to the tax authorities for their respective profits from the partnership, which will usually be taxed as income.