

Financial Supervision Commission

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Practice Note

Practice Note 16/2008

6th April 2008

The Partnership Act 1909

Introduction

This Practice Note replaces Practice Note 7/2006 “The Partnership Act 1909” issued on 1st May 2006.

This practice note is intended as a guide to the documents required to be filed with Companies Registry:

- 1) to register a Limited Partnership;
- 2) by a Limited Partnership during its period of registration; and.
- 3) on the dissolution of a Limited Partnership.

It is intended as a general guide only and must be read in conjunction with the relevant legislation. It should not be relied upon as a substitute for legal advice.

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I. Features of an LP

- 1.1 A limited partnership (LP) is a partnership registered under Part II of the Partnership Act 1909, the principal features of which are as follows:
1. The partnership must not consist of more than twenty members, unless it is carrying on business as advocates, accountants or members of a stock exchange.
 2. It must consist of one or more “General Partners” who are responsible for all of the debts and obligations of the partnership. There must also be one or more “Limited Partners” who contribute a defined amount of capital or property to the partnership. A limited partner is liable for the debts of the partnership only up to the amount he has contributed. A limited partner may not receive back any contribution unless the partnership is solvent, and if he does so whilst the partnership is insolvent, he will be liable for its debts up to the amount received back. A corporation may be a general or a limited partner.
 3. A limited partner may not take part in the management of the partnership except in the circumstances provided for in the Act.
 4. Notwithstanding the registration requirements, a limited partnership does not constitute a legal person under Manx law.
 5. A limited partnership **must** be registered under the Act. Failure to do so will result in the limited partner being regarded as a general partner, and becoming liable for all the debts of the partnership
 6. Names of LPs are subject to similar guidelines as those for companies incorporated under the Isle of Man Companies Acts 1931 - 2004. It is advisable, but not necessary, to seek prior approval of the name you want to use from the Commission. This will save you from preparing documents using a name that may be refused upon submission. The Commission has the power under the Act to (1) refuse to register a name; (2) attach conditions to the use of a name; (3) direct an LP to change its name; and (4) change the name of an LP if a direction is not complied with.
- 1.2. The following modifications to the General Law of Partnership apply to a limited partnership:
1. A limited partnership cannot be dissolved by the death or bankruptcy of a limited partner, and the lunacy of a limited partner is not grounds for court dissolution, unless this is the only means of realising the lunatic’s share of the assets.
 2. Upon dissolution of a limited partnership, the general partners will wind up its affairs.
 3. An application to the court to wind up a limited partnership is by petition under the Companies Acts 1931-2004 and the conduct of the winding-up is governed by rules made by the Deemsters.
 4. Subject to any agreement expressed or implied between the partners-
 - (a) any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the general partners:

- (b) 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:
- (c) the other partners shall not be entitled to dissolve the partnership by reason of any limited partner suffering his share to be charged for his separate debt:
- (d) a person may be introduced as a partner without the consent of the existing limited partners:
- (e) a limited partner shall not be entitled to dissolve the partnership by notice.

2. Registration Documents for an LP

- 2.1 The registration of a limited partnership can be made by sending by post or delivering to us a statement signed by all the general and limited partners containing the following particulars:
- (a) the firm name;
 - (b) the general nature of the business;
 - (c) the principal place of business;
 - (d) the full name of each of the partners;
 - (e) the term, if any, for which the partnership is entered into, and the date of its commencement;
 - (f) a statement that the partnership is limited, and the description of every limited partner as such;
 - (g) in respect of such classes of limited partnerships as may be prescribed by regulations made by the Treasury, the sum contributed by each limited partner and whether paid in cash or how otherwise.
 - (h) the name and address of the person appointed to accept service on behalf of the limited partnership.
- 2.2 Items (a) to (h) are contained in the prescribed form LPI (Application for Registration). This form can be downloaded from our website www.fsc.gov.im >Companies Registry>Company Forms>Limited Partnerships.
- 2.3 Once the application form has been accepted for registration, the Commission will issue a certificate of registration.
- 2.4 There is a registration fee of £215 payable on submission of the application form.
- 2.5 Details about all fees payable in the Companies Registry are obtainable from our website www.fsc.gov.im >Companies Registry>Fees. Payment of fees can be made in cash or by

cheque made payable to “Isle of Man Government”. We regret that we cannot accept cheques drawn on an account outside the U.K.

3. Forms to be filed under the Partnership Act 1909

3.1 Annual Statement – Form LP5

3.1.1 **WARNING – Do not confuse this Annual Statement with any other form of annual or periodic return or statement, such as a tax or VAT return, which you are obliged to submit to any other Government Department.**

3.1.2 Every LP is required to file an annual statement each year. This document is a snapshot of its details on the anniversary of its registration.

3.1.3 There is a registration fee of £75 payable when you submit the annual statement and there is a filing period of one month for the document. Late filing fees are payable if the annual statement is not submitted in time.

3.1.4 **NOTE – Failure to file the annual statement can result in the LP being struck off the register. This may have serious financial and legal implications for the business.**

3.2 Change in Particulars – Form LP2

3.2.1 Whenever a change occurs in:

- (a) the firm name;
- (b) the general nature of the business;
- (c) the principal place of business;
- (d) the partners or the name of any partner;
- (e) the term or character of the partnership;
- (f) the name and address of the person appointed to accept service; or
- (g) the liability of a partner because he has changed from a limited to a general partner or vice versa;

3.2.2 You must submit Form LP2 within one month from the date of the change. The form requires you to list the change(s) and the date(s). There is no filing fee payable when you submit the form within the one-month prescribed filing period.

3.2.3 **Your attention is also drawn to the requirement that if a person ceases to be a general partner and becomes a limited partner, you must advertise that fact in two Island newspapers. The change is ineffective until the advertisement has been published.**

4. Dissolution

4.1 If the partnership is dissolved or ceases by any means provided for in the Act, other than by court winding-up, you must give us notice of that fact and we will then cease the registration.

- 4.2 Whenever the Court appoints a liquidator provisionally, a provisional liquidator or a liquidator, a certified copy of each Order must be filed with the Companies Registry.
- 4.3 **NOTE – It is important that any liquidation document be filed as soon as possible. The Companies Registry can only act on the basis of the documents filed and may, for example, take action to strike an LP off the register for failure to file its annual statement if documents indicating that it has gone into liquidation have not been filed.**

5. Fees payable

- 5.1 As has been mentioned previously, there is a filing fee payable on the annual statement and no fee payable on the Change in Particulars Form. If you fail to submit any of these forms within the one month filing period, a late fee is payable **IN ADDITION** to any other fee charged.
- 5.2 The late fee is calculated as follows:
- | | |
|-------------------------|------|
| Up to one month late | £65 |
| Up to three months late | £110 |
| Up to six months late | £170 |
| Over six months late | £230 |
- 5.3 Details about all fees payable in the Companies Registry are obtainable from our website www.fsc.gov.im >Companies Registry>Fees. Payment of fees can be made in cash or by cheque made payable to “Isle of Man Government”. We regret that we cannot accept cheques drawn on an account outside the U.K.

6. Further information

Our staff will willingly answer general queries by telephone or e-mail but cannot give legal advice. If you require such advice you should consult an Advocate. The telephone number for the Companies Registry is: 01624 689389 and the e-mail address is: companies@fsc.gov.im

Statutory forms and practice notes are available free of charge from our website: www.fsc.gov.im >Companies Registry.

Forms can also be obtained from legal stationers, accountants, advocates and Corporate Service Providers whose addresses can be found in the business section of the telephone book or at: www.manx-ads.com

Details of Isle of Man Advocates are available from the Isle of Man Law Society at:

Isle of Man Law Society
27 Hope Street
Douglas
Isle of Man
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Tel: (01624) 662910
Fax: (01624) 679232
E-mail: iomlawsoc@advsys.co.uk

<http://www.iomlawsociety.co.im/index.htm>

LP documents may be submitted to the Financial Supervision Commission at any time.

During office hours (9.00am to 4.30pm), submission may be effected 'over the counter' in the Companies Registry or at the Commission's main reception desk on the first floor.

Submission may also be effected by post or after office hours by way of the letterbox situated by the main entrance. Presenters requiring acknowledgement of receipt of a document should provide a stamped self-addressed envelope.

The Companies Registry will remain closed on the first Wednesday of each month until 11.00 hrs for staff training. Documents can still be delivered to the first floor or left in the letterbox.

For the purpose of determining the date of submission of a document, documents submitted after 4.30 p.m. on any working day (Day 1) but before 9.00 a.m. on the following working day (Day 2), will be treated as having been submitted on Day 1. For the avoidance of doubt, documents submitted before 9.00 a.m. on the day immediately following a weekend or Bank Holiday, will be treated as having been submitted on the last working day prior to the weekend or Bank Holiday.

However, section 57(2) of the Act states that a document is not properly "submitted" until it has been accepted for registration. Accordingly, if a document is submitted to the Companies Registry and subsequently rejected under the provisions of s. 57(3) of the Act, the document shall not be considered to have been submitted at all.

It is the responsibility of presenters to ensure that documents arrive in the Companies Registry within the filing periods prescribed.

We are aware that post can on occasion be delayed. However, presentors should be aware of that and post documents in plenty of time. The Companies Registry cannot operate a system which allows for such delays as to do so would simply amount to an extension to the filing periods set down by law.

<p>Please note: The Financial Supervision Commission does not currently accept statutory documents by fax or E-Mail.</p>
