

**ACTS SUPPLEMENT**

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**Act 2**

*Partnerships Act*

**2010**

THE PARTNERSHIPS ACT, 2010

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**THE PARTNERSHIPS ACT, 2010.**

**An Act to amend and consolidate the law relating to partnerships; to provide for the formation of limited liability partnerships; to repeal the Partnership Act, Cap. 114; and to provide for other related matters.**

DATE OF ASSENT: 27th January, 2010.

*Date of Commencement:* 26th February, 2010.

BE IT ENACTED by Parliament as follows:

**PART I—PRELIMINARY****1. Interpretation.**

In this Act, unless the context otherwise requires—

“business” includes every trade, occupation or profession;

“court” means the High Court;

“currency point” has the value assigned to it in the Schedule to this Act;

“firm” means persons who have entered into a partnership with one another;

“firm name” means the name under which the firm business is carried on;

“Minister” means the Minister responsible for justice;

“minor” means a person under the age of eighteen years;

“partnership” means a partnership referred to in section 2 and a limited liability partnership referred to in section 47;

“professional” means a person who is a member of a profession regulated by the laws of Uganda;

“registrar” means the registrar of companies designated as such under the Companies Act;

“trustee” means one, who having legal title to property, holds it in trust for the benefit of another person and owes a judicial duty to that beneficiary;

“trust property” means property subject to a trust normally held by trustees.

## PART II—NATURE OF PARTNERSHIP

### 2. Definition of partnership.

(1) Subject to subsection (2), a partnership is the relationship which subsists between or among persons, not exceeding twenty in number, who carry on a business in common with a view to making profit.

(2) Where a partnership is formed for the purpose of carrying on a profession, the number of professionals, which constitutes the partnership shall not exceed fifty.

(3) The relationship between or among members of any company or association which is—

(a) registered as a company under the Companies Act or any other Act relating to the registration of joint stock companies; or

- (b) formed or incorporated by or in pursuance of any other written law,

is not a partnership within the meaning of this Act.

### 3. Rules for determining the existence of partnership.

In determining whether a partnership does or does not exist, regard shall be had to the following rules—

- (a) joint tenancy, tenancy in common, joint property, common property or part ownership does not of itself create a partnership;
- (b) the sharing of gross returns does not of itself create a partnership, whether the persons sharing those returns have or do not have a joint or common right or interest in any property from which, or from the use of which, the returns are derived;
- (c) the receipt by a person of a share of the profits of a business is *prima facie* evidence that he or she is a partner in the business, but the receipt of such a share, or a payment contingent on or varying with the profits of a business, does not of itself make a person a partner in the business; and in particular—
  - (i) the receipt by a person of a debt or other liquidated amount by installments or otherwise, out of the accruing profits of a business, does not of itself make that person a partner in the business or liable;
  - (ii) a contract for the remuneration of a servant or agent of a person engaged in a business by a share of the profits of the business does not of itself make the servant or agent a partner in the business or liable;
  - (iii) a person, being the widow or child of a deceased partner and receiving by way of annuity, a portion of the profits made in the business in which the deceased person was a partner, is not, by reason only of that receipt, a partner in the business or liable;

- (iv) the advance of money by way of a loan to a person engaged, or about to engage, in any business on a contract with that person that the lender shall receive a rate of interest varying with the profits, or shall receive a share of the profits arising from carrying on the business, does not of itself make the lender a partner with the person carrying on the business or liable as such if the contract is in writing, and signed by or on behalf of all the parties to the contract;
  - (v) a person receiving, by way of annuity or otherwise, a portion of the profits of a business in consideration of his or her sale of the goodwill of the business is not, by reason only of the receipt, a partner in the business or liable;
- (d) the ordinary evidence of partnership, including—
- (i) whether the accounts are prepared for internal use or for other purposes;
  - (ii) any admissions by the members of the partnership;
  - (iii) advertisements which include the alleged partners;
  - (iv) agreements or other documents, formal or otherwise, which disclose the partnership relationship;
  - (v) the manner in which bills of exchange have been drawn, accepted or endorsed;
  - (vi) judgments of courts of law in which a partnership has been held to exist;

- (vii) meetings which partners attended or were expected to attend;
- (viii) payment of money to courts of law for the liability of the partnership;
- (ix) letters and memoranda which relate to admission of a person in the partnership or which give a person a share in the profits as intended by the partners;
- (x) any release executed by all the alleged partners; and
- (xi) recitals in the agreement in which the partners are parties.

#### **4. Mandatory registration.**

(1) A firm carrying on business in Uganda under a business name which does not consist of the true surnames of all partners who are individuals and the corporate names of all partners which are corporations without any addition other than the true first names of individual partners or initials of the first names; and the corporate names of all partners which are corporations, shall register its name under the Business Names Registration Act.

(2) Where any persons operate a business as a partnership in contravention of subsection(1), every party to the business commits an offence and is liable on conviction, to a fine not exceeding twenty currency points and to an additional fine not exceeding five currency points for each day for which the offence continues after the expiration of fourteen days.

### PART III—RELATIONS OF PARTNERS TO PERSONS DEALING WITH THEM

#### **5. Power of partner to bind firm.**

(1) Every partner is an agent of the firm and his or her other partners for the purpose of the business of the partnership.



(2) The act of a partner who does any act for the purpose of carrying on the ordinary course of business of the firm binds the firm and his or her partners, unless the partner so acting does not have authority to act for the firm in the particular matter, and the person with whom the partner is dealing—

- (a) knows that the partner has no authority; or
- (b) does not know or believe him or her to be a partner.

#### **6. Partners bound by act on behalf of firm.**

(1) An act or instrument relating to the business of the firm and done or executed in the firm name, or in any other manner showing an intention to bind the firm by any person authorised to bind the firm, whether a partner or not, is binding on the firm and all the partners.

(2) Subsection (1) does not affect any general principles of law relating to the execution of deeds or negotiable instruments.

#### **7. Partners using credit of firm for private purposes.**

Where a partner pledges the credit of the firm for a purpose apparently not connected with the firm's ordinary course of business, the firm is not bound, unless that partner is in fact specially authorised by the other partners.

#### **8. Effect of notice that firm not bound by acts of partners.**

Where it has been agreed between or among the partners that a restriction shall be placed on the power of any one or more of them to bind the firm, an act done in contravention of the agreement is not binding on the firm with respect to persons having notice of that agreement.

#### **9. Liability of partners.**

(1) A partner in a firm is liable jointly with the other partners for all debts and obligations of the firm incurred while he or she is a partner.

(2) Where a partner dies, his or her estate is severally liable in due course of administration for the debts and obligations of the firm so far as they remain unsatisfied but subject to the prior payment of his or her separate debts.

(3) The estate of a partner who dies or who becomes bankrupt or of a partner, who, not having been known to the person dealing with the firm to be a partner, retires from the firm, is not liable for partnership debts contracted after the date of the death, bankruptcy or retirement respectively.

**10. Minor partner not personally liable for firm's obligations.**

A person who is a minor according to the law to which he or she is subject may be admitted to the benefits of partnership, but cannot be made personally liable for any obligation of the firm; but the share of that minor in the property of the firm is liable for any obligation of the firm.

**11. Liability of minor partner on attaining majority.**

A person who has been admitted to the benefits of partnership while still a minor shall, on attaining the age of majority, be liable for all obligations incurred by the partnership from the date of his or her admission, unless he or she gives public notice within a reasonable time of his or her repudiation of the partnership.

**12. Liability of the firm for wrongs of partners.**

Where, by any wrongful act or omission of any partner acting in the ordinary course of the business of the firm, or with the authority of his or her co-partners, loss or injury is caused to any person not being a partner in the firm, or any penalty is incurred, the firm is liable for the loss, injury or penalty to the same extent as the partner so acting or omitting to act.

**13. Liability for wrongs joint and several.**

A partner is liable jointly and severally with his or her co-partners for everything for which the firm becomes liable under section 14 while he or she is a partner in the firm.

**14. Misapplication of money or property received for or in custody of firm.**

A firm is liable to make good the loss—

- (a) where one partner, acting within the scope of his or her apparent authority, receives the money or property of a third person, and misapplies it; and
- (b) where a firm in the course of its business receives money or property of a third person, and the money or property so received is misapplied by one or more of the partners while it is in the custody of the firm.

**15. Improper employment of trust property for partnership purposes.**

Where a partner who is a trustee, improperly employs trust property in the business or on the account of the partnership, no other partner is liable for the trust property to the persons beneficially interested in it; except that—

- (a) this section shall not affect any liability incurred by any partner by reason of his or her having notice of a breach of trust; and
- (b) nothing in this section shall prevent trust money from being followed and recovered from the firm if it is still in possession or control of the firm.

**16. Persons liable by holding out.**

(1) Any person who by words spoken, written or by conduct represents himself or herself, or who knowingly suffers himself or herself to be represented as a partner in a particular firm is liable as a partner to any one who has, on the faith of any such representation, given credit to the firm, whether the representation has or has not been made or communicated to the person so giving credit by or with the knowledge of the apparent partner making the representation or suffering it to be made.

(2) A firm shall not be liable for the acts of any person who falsely holds out himself or herself as a partner of a firm.

(3) Where, after a partner's death, the partnership business is continued in the firm name, the continued use of that name or of the deceased partner's name as part of the firm's name shall not of itself make his or her executors or administrators of the estate or effects liable for any partnership debts contracted after his or her death.

### **17. Admissions and representations of partners.**

An admission or representation made by any partner concerning the affairs of the partnership in the ordinary course of its business is evidence against the firm.

### **18. Notice to acting partner to be notice to firm.**

(1) Notice to any partner who habitually acts in the partnership business of any matter relating to the affairs of the partnership operates as notice to the firm.

(2) Subsection (1) does not apply in case of fraud on the firm committed by or with the consent of that partner.

### **19. Liabilities of incoming and outgoing partners.**

(1) A person who is admitted as a partner into an existing firm does not become liable to the creditors of the firm for anything done before he or she became a partner.

(2) A partner who retires from a firm does not cease to be liable for partnership debts or obligations incurred before his or her retirement.

(3) A retiring partner may be discharged from any existing liability by an agreement to that effect between partners and the members of the firm as newly constituted, and the creditors of the firm.

(4) The agreement referred to in subsection (3) may be either express or inferred as a fact from the course of dealing between the creditors and the firm as newly constituted.

(5) A retiring partner may, notwithstanding subsection (3), execute in writing an indemnity agreement with the members of the firm as newly constituted, in which the members undertake to indemnify the retiring partner of any existing liabilities.

## **20. Revocation of continuing guarantee by change in firm.**

A continuing guarantee given either to a firm or to a third person in respect of the transactions of a firm is, in the absence of an agreement to the contrary, revoked as to future transactions by any change in the constitution of the firm to which the guarantee was given or any change in respect of the transaction for which the guarantee was given.

### PART IV—RELATIONS OF PARTNERS TO ONE ANOTHER.

## **21. Variation by consent of the terms of partnership.**

The mutual rights and duties of partners, whether ascertained by agreement or defined by this Act, may be varied by the consent of all the partners, and that consent may be either express or inferred from a course of dealing.

## **22. Partnership property.**

(1) All property, rights and interests in property originally brought into the partnership stock or acquired, whether by purchase or otherwise, on account of the firm and in the course of the partnership business are, in this Act, referred to as “partnership property”.

(2) Partnership property must be held and applied by the partners exclusively for the purposes of the partnership and in accordance with the partnership agreement; except that the legal estate or interest in any land which belongs to the partnership shall devolve according to the nature and tenure of the land and the general rules of law applicable to it.

(3) Where co-owners of an estate or interest in any land which is not partnership property are partners to profits made by the use of that land or estate, purchase other land or estate out of the profits to be used in similar manner, the land or estate so purchased belongs to them, in the absence of an agreement to the contrary, not as partners but as co-owners for the same respective estate and interests as are held by them in the land or estate first mentioned at the date of the purchase.

### **23. Property bought with partnership money.**

Unless the contrary intention appears, property bought with money belonging to the firm is taken to have been bought on account of the firm.

### **24. Conversion into personal estate of land held as partnership property.**

Where land or any interest in it becomes partnership property, it shall, unless the contrary intention appears, be treated as between the partners (including the representatives of a deceased partner) and also as between the heirs of a deceased partner and his or her executors or administrators, as personal and not real estate.

### **25. Procedure against partnership property for partner's separate judgment debt.**

(1) Execution of a decree shall not issue against any partnership property except on a judgment against the firm.

(2) The court may, on application by summons of any judgment creditor of a partner, make an order—

- (a) charging that partner's interest in the partnership property and profits with payment of the amount of the judgment debt and interest on it;
- (b) appointing a receiver of that partner's share of profits whether already declared or accruing and of any other money which may be coming to that partner in respect of the partnership; and

- (c) directing all accounts, inquiries and giving other orders and directions which might have been directed or given if the charge had been made in favour of the judgment creditor by the partner or as the circumstances of the case may require.

(3) The other partner or partners shall be at liberty at any time to redeem the interest charged, or, in case of sale being directed, to purchase it.

**26. Rules as to interests and duties of partners subject to special agreement.**

The interests of partners in the partnership property and their rights and duties in relation to the partnership shall be determined, subject to any agreement, express or implied between the partners, by the following rules—

- (a) all the partners are entitled to share equally in the capital and profits of the business, and must contribute equally towards the losses whether of capital or otherwise sustained by the firm;
- (b) the firm must indemnify every partner in respect of payments made and personal liabilities incurred by the partner—
  - (i) in the ordinary and proper conduct of the business of the firm; or
  - (ii) in or about anything necessarily done for the preservation of the business or property of the firm;
- (c) a partner making, for the purpose of the partnership, any actual payment or advance beyond the amount of capital which he or she has agreed to subscribe is entitled to interest at the rate agreed upon by the partners, and, in the absence of any agreement, the ruling treasury bill rate shall apply; except that in determining the rate, due consideration shall be given to the period of repayment;

- (d) a partner is not entitled, before the ascertainment of profits, to interest on the capital subscribed by him or her;
- (e) every partner may take part in the management of the partnership business;
- (f) no partner shall be entitled to remuneration for acting in the partnership business;
- (g) no person may be introduced as a partner without the consent of all existing partners;
- (h) any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the partners; but no change may be made in the nature of the partnership business without the consent of all existing partners; and
- (i) the partnership books are to be kept at the place of business of the partnership or the principal place of business of the partnership if there is more than one; and every partner may, at all reasonable times, have access to and inspect and copy any of the books.

### **27. Expulsion of partner.**

A majority of the partners have no power to expel any partner unless a power to do so has been conferred by express agreement between or among the partners.

### **28. Retirement from partnership.**

(1) Where no fixed term has been agreed upon for the duration of the partnership, any partner intending to dissolve the partnership shall—

- (a) give reasonable notice to the other partners of his or her intention to do so; and
- (b) obtain the consent of the other partners regarding the dissolution of the partnership.



(2) Where the other partners decline to give their consent to the dissolution under subsection (1)(b), that partner has the option of retiring from the partnership.

(3) Where the partnership has originally been constituted by deed, a notice in writing signed by the partner giving the notice in accordance with the deed shall be sufficient for the purpose of the notice referred to in subsection (1)(a).

(4) Subject to this Act, the rights, benefits and duties of a retiring partner shall be as agreed between or among the partners.

### **29. Presumption of continuance of partnership.**

Where a partnership entered into for a fixed term is continued after the term has expired, and without any express new agreement, the rights and duties of the partners remain the same as they were at the expiration of the term.

### **30. Duty of partners to render accounts, etc.**

Every partner is bound to render true accounts and full information of all things affecting the partnership to any partner or his or her legal representatives.

### **31. Accountability of partners for private profits.**

Every partner must account to the firm for any benefit derived by him or her without the consent of the other partners from any transaction concerning the partnership, or from any use by him or her of the partnership property, name or business connection.

### **32. Duty of partner not to compete with firm.**

Where a partner, without the consent of the other partners, carries on any business of the same nature as, and competing with, that of the firm, the partner must account for and pay over to the firm all profits he or she made in that business.

**33. Rights of assignee of share in partnership.**

(1) An assignment by any partner of his or her share in the partnership, either absolute or by way of mortgage or redeemable charge, does not, as against the other partners, entitle the assignee, during the continuance of the partnership—

- (a) to interfere in the management or administration of the partnership business or affairs;
- (b) to require any accounts of the partnership transactions; or
- (c) to inspect the partnership books.

(2) An assignment in subsection (1) entitles the assignee only to receive the share of profits to which the assigning partner would otherwise be entitled; and the assignee must accept the account of profits agreed to by the partners.

(3) In case of a dissolution of the partnership, whether in respect of all the partners or in respect of the assigning partner, the assignee is entitled to receive the share of the partnership assets to which the assigning partner is entitled as between himself or herself and the other partners, and, for the purpose of ascertaining that share, to an account as from the date of the dissolution.

**PART V—DISSOLUTION OF PARTNERSHIP AND ITS CONSEQUENCES.****34. Dissolution by expiration or notice.**

(1) Subject to any agreement between or among the partners, a partnership is dissolved—

- (a) if entered into for a fixed term, by the expiration of that term;
- (b) if entered into for a single adventure or undertaking, by the termination of that adventure or undertaking;
- (c) if entered into for an undefined time, by the agreement of the partners to dissolve the partnership.

(2) In the case mentioned in subsection (1) (c), the partnership is dissolved as from the date agreed by the partners for the dissolution to take effect.

### **35. Dissolution by bankruptcy, death or charge.**

(1) Subject to any agreement between or among the partners, a partnership may, at the option of the other partners, be dissolved 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 or her share of the partnership property to be charged under this Act for his or her separate debt.

### **36. Dissolution by illegality of partnership.**

A partnership is, in every case, dissolved by the happening of any event that makes it unlawful for the business of the firm to be carried on or for the members of the firm to carry on business in partnership.

### **37. Dissolution by court for incapacity, etc.**

On the application by a partner, the court may decree dissolution of a partnership in any of the following cases—

- (a) 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 on behalf of that partner by his or her guardian *ad litem* or next friend or person entitled to intervene as by any other partner;
- (b) when a partner, other than the partner suing, becomes in any other way permanently incapable of performing his or her part of the partnership contract;
- (c) when a partner, other than the partner suing, has been guilty of such conduct as, in the opinion of a court, regard being had to the nature of the business, is calculated prejudicially to affect the carrying on of the business;

- (d) when a partner, other than the partner suing, willfully or persistently commits a breach of the partnership agreement, or otherwise so conducts himself or herself 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 or her;
- (e) when the business of the partnership can only be carried on at a loss; or
- (f) whenever, in any case, circumstances have arisen which, in the opinion of the court, render it just and equitable that the partnership be dissolved.

### **38. Rights of persons dealing with firm against apparent members of firm.**

(1) Where a person deals with a firm after a change in its constitution, he or she is entitled to treat all apparent members of the old firm as still being members of the firm until he or she has notice of the change.

(2) An advertisement in the *Gazette* by any partner shall be notice as to persons who had no dealings with the firm before the date of the dissolution or change so advertised.

(3) The estate of a partner who dies or who becomes bankrupt or of a partner, who, not having been known to the person dealing with the firm to be a partner, retires from the firm, is not liable for partnership debts contracted after the date of the death, bankruptcy or retirement respectively.

### **39. Rights of partners to notify dissolution.**

On the dissolution of a partnership or retirement of a partner, any partner may publicly notify the dissolution or retirement of that partner, and may require the other partner or partners to concur for that purpose in all necessary or proper acts, if any, which cannot be done without his or her or their concurrence.

**40. Continuing authority of partners for purposes of winding up.**

(1) After the dissolution of a partnership, the authority for each partner to bind the firm and the other rights and obligations of the partners continue notwithstanding the dissolution, so far as may be necessary to wind up the affairs of the partnership, and to complete transactions begun but unfinished at the time of the dissolution, but not otherwise.

(2) Notwithstanding subsection (1), the firm is in no case bound by the acts of a partner who has become bankrupt; but this section does not affect the liability of any person who has, after the bankruptcy, represented himself or herself or knowingly suffered himself or herself to be represented as a partner of the bankrupt.

**41. Rights of partners as to application of partnership property.**

On the dissolution of a partnership, every partner is entitled, as against the other partners in the firm and all persons claiming through them in respect of their interests as partners—

- (a) to have the property of the partnership applied in payment of the debts and liabilities of the firm, and to have the surplus assets after such payment, applied in payment of what may be due to the partners respectively after deducting what may be due from them as partners to the firm; and
- (b) for the purposes of paragraph (a) any partner or his or her representatives may, on the termination of the partnership, apply to the court to wind up the business and affairs of the firm.

**42. Apportionment of premium where partnership prematurely dissolved.**

Where one partner has paid a premium to another partner on entering into a partnership for a fixed term, and the partnership is dissolved before the expiration of that term otherwise than by the death of a partner, the court may order the repayment of the premium or of such part of it as it thinks just, having regard to the terms of the partnership contract and to the length of time during which the partnership has continued, unless—

- (a) the dissolution is, in the judgment of the court, wholly or mainly due to the misconduct of the partner who paid the premium; or
- (b) the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium.

**43. Rights where partnership dissolved for fraud or misrepresentation.**

Where a partnership contract is rescinded on the ground of the fraud or misrepresentation of one of the parties to it, the party entitled to rescind is, without prejudice to any other right, entitled—

- (a) to a lien on, or right of retention of, the surplus of the partnership assets, after satisfying the partnership liabilities, for any sum of money he or she paid for the purchase of a share in the partnership and for any capital he or she contributed;
- (b) to stand in the name of the creditors of the firm for any payments he or she made in respect of the partnership liabilities; and
- (c) to be indemnified by the person guilty of the fraud or making the representation, against all the debts and liabilities of the firm.

**44. Right of outgoing partner in certain cases to share profits made after dissolution.**

(1) Where a partner has died or ceased to be a partner and the surviving or continuing partners carry on the business of the firm with the firm's capital or assets without any final settlement of accounts as between the firm and the outgoing partner or his or her estate, then, in the absence of any agreement to the contrary the outgoing partner or his or her estate is entitled, at the partner's option or that of his or her representatives—

- (a) to a share of the profits made since the dissolution as the court may find to be attributable to the use of his or her share of the partnership assets; and

(b) to interest at the prevailing treasury bill rate.

(2) Notwithstanding subsection (1), where the partnership contract gives an option to surviving or continuing partners to purchase the interest of a deceased or outgoing partner and that option is duly exercised, the estate of the deceased partner or outgoing partner or his or her estate is not entitled to any other share of the profits.

(3) Where a partner purporting to act in exercise of the option given under subsection (2) does not in all material respects comply with its terms, he or she is liable to account as provided in this section.

#### **45. Retiring or deceased partner's share to be a debt.**

Subject to any agreement between the parties, the amount due from continuing or surviving partners to an outgoing partner or the representatives of a deceased partner in respect of the outgoing or deceased partner's share is a debt accruing at the date of the dissolution or death.

#### **46. Rules for distribution of partnership assets on final settlement of accounts.**

In settling accounts between or among the partners after dissolution of a partnership, the following rules shall, subject to any agreement, be observed—

- (a) losses, including losses and deficiencies of capital shall be paid, first out of profits, next out of capital, and lastly, if necessary, by the partners individually in the proportion in which they were entitled to share profits;
- (b) the assets of the firm, including the sums, if any, contributed by the partners to make up losses or deficiencies of capital, shall be applied in the following manner and order—
  - (i) in paying the debts and liabilities of the firm to persons who are not partners in it;

- (ii) in paying to each partner, rateably, what is due from the firm to the partner for advances as distinguished from capital;
- (iii) in paying to each partner, rateably, what is due from the firm to the partner in respect of capital;
- (iv) the ultimate residue, if any, shall be divided among the partners in the proportion in which profits are divisible.

PART VI—LIMITED LIABILITY PARTNERSHIPS.

**47. Limited liability partnership.**

(1) A limited liability partnership may be formed in the manner prescribed by this Act.

(2) A limited liability partnership shall consist of not more than twenty persons, and shall have one or more persons called general partners who shall be liable for all debts and obligations of the firm.

(3) A limited liability partnership shall, in addition to general partners have one or more persons called limited liability partners who shall contribute a stated amount of capital to the firm, and shall not be liable for the debts or obligations of the firm beyond the amount of capital so contributed.

(4) A limited liability partner shall not, during the continuance of the partnership, either directly or indirectly, draw out or receive back any part of his or her contribution to the partnership, and if a limited liability partner draws out or receives back any part of his or her contribution, he or she shall be liable for the debts and obligations of the partnership up to the amount so drawn out or received back.

(5) A body corporate may be a limited liability partner.



**48. Registration of limited liability partnership.**

(1) A limited liability partnership shall, subject to subsection (2), be registered with the Registrar in accordance with section 50; and a limited liability partnership that is not so registered shall be taken to be a general partnership and all its members' general partners.

(2) A partnership registered as a limited liability partnership under section 50 shall, at the end of its name, add the letters "(LLP)".

**49. Reservation of name.**

(1) The Registrar may, on written application under the Business Names Registration Act, reserve a name pending registration of a limited liability partnership.

(2) The name reserved under subsection (1) shall remain in force for thirty days or such longer period, not exceeding sixty days, as the Registrar may, for exceptional reasons permit.

(3) During the period when the name is reserved under subsection (2), the Registrar shall not register any other business with the name so reserved.

(4) The Registrar shall not reserve a name or register any partnership which, in the opinion of the Registrar, is undesirable or deceptive.

**50. Particulars of registration of limited liability partnership.**

(1) The registration of a limited liability partnership shall be effected by delivering to the Registrar a statement signed by the partners containing the following particulars—

(a) the name of the limited liability partnership;

(b) the general nature of the limited liability partnership's business;

- (c) the principal place of business of the limited liability partnership;
- (d) the full names and address of each of the partners;
- (e) the term, if any, for which the limited liability partnership is entered into, and the date of its commencement;
- (f) a statement that the partnership is limited;
- (g) a description of the status of each partner, limited or general; and
- (h) the sum contributed by each partner and the form in which it is so contributed.

(2) The Registrar shall, upon receiving the particulars referred to in subsection (1) and the prescribed fee for the registration, issue a certificate of registration of the limited liability partnership.

### **51. Registration of change in particulars of limited liability partnership.**

(1) Where, during the continuance of a limited liability partnership any change is made or occurs in—

- (a) the name of the partnership;
- (b) the general nature of the business of the partnership;
- (c) the principal place of business of the partnership;
- (d) the partners or the name and address of any partner;
- (e) the term or character of the partnership;
- (f) the sum contributed by any limited liability partner;
- (g) the liability of any partner by reason of his or her becoming a limited liability partner instead of a general partner or a general partner instead of a limited liability partner; or
- (h) the number of shares held by each partner,

a statement signed by the firm, specifying the nature of the change shall, within ten days, be delivered to the Registrar for registration, and the Registrar shall issue a certificate of change in particulars to the firm.

(2) A limited liability partnership which contravenes of subsection (1) commits an offence, and each general partner shall, on conviction, be liable to a fine not exceeding 0.5 currency points for each day during which the contravention continues.

## **52. Management of limited liability partnership.**

(1) A limited liability partner shall not take part in the management of the partnership business and shall not bind the firm.

(2) Without prejudice to subsection (1), a limited liability partner may, upon giving seven days notice to the general partners, in person or by that partner's agent, inspect the books of the firm and ascertain the state and prospects of the partnership business.

(3) Where a limited liability partner takes part in the management of the partnership business, that partner shall be liable for all debts and obligations of the firm incurred while he or she takes part in the management as though he or she were a general partner.

(4) For the purposes of this section, a limited liability partner does not participate in the management and control of the partnership business solely by doing one or more of the following—

- (a) being a contractor for or an agent or employee of a limited liability partnership or of a general partner, or being an officer, director or shareholder of a general partner in the limited liability partnership, which is a corporation;
- (b) consulting with and advising a general partner with respect to the business of the limited liability partnership;

- (c) acting as surety for the limited liability partnership or guaranteeing or assuming one or more specific obligations of the limited liability partnership; or
- (d) exercising a right or power permitted by or under this Act or which a shareholder in a company may exercise.

(5) A limited liability partnership shall not be dissolved by the death or bankruptcy of a limited liability partner, and the mental incapacity of a limited partner shall not be a ground for dissolution of the partnership by the court unless the contribution of the limited liability partner who is mentally incapacitated cannot otherwise be ascertained and realised.

(6) In case of the dissolution of a limited liability partnership, its affairs shall not be wound up by the general partners unless the court directs otherwise.

(7) Subject to any agreement express or implied between or among 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 liability partner may, with the consent of the general partners, assign his or her contribution in the partnership, and upon such assignment, the assignee shall become a limited partner with all the rights of the assignor;
- (c) partners shall not be entitled to dissolve the partnership by reason of any limited liability partner suffering his or her contribution to be charged for his or her separate debt;
- (d) a general partner may be introduced as a limited liability partner without the consent of the existing limited liability partners; and

- (e) a limited liability partner shall not be entitled to dissolve the partnership by notice.

### **53. Winding up of limited liability partnership.**

(1) Subject to this Part, a limited liability partnership may be wound up under this Act, and all the provisions of this Act relating to winding up shall apply to a limited liability partnership with the exceptions and modifications provided for in this section.

(2) A limited liability partnership shall not be wound up under this Act, voluntarily or subject to the supervision of the court.

(3) The circumstances in which a limited liability partnership may be wound up are—

- (a) if the partnership is dissolved, or has ceased to carry on business, or is carrying on business only for the purpose of winding up its affairs;
- (b) if the partnership is unable to pay its debts; or
- (c) if the court is of the opinion that it is just and equitable that the partnership should be wound up.

(4) A limited liability partnership shall, for the purposes of this Act, be deemed to be unable to pay its debts—

- (a) if a creditor, by assignment or otherwise, to whom the partnership is indebted in a sum exceeding one hundred currency points then due—
  - (i) has served on the partnership by leaving at its principal place of business; or
  - (ii) by delivering to a general partner; or
  - (iii) by otherwise serving in such manner as the registrar may approve or direct,

a demand under his or her hand requiring the partnership to pay the sum so due, and the partnership has, for thirty days after the service of the demand neglected to pay the sum or to secure or compound for it to the satisfaction of the creditor;

- (b) if an action has been instituted against a partner for a debt due from the partnership and notice in writing to that effect has been served on the partnership, in the manner prescribed in subsection(4)(a) and the firm has not within fourteen days after service of the notice paid, secured or compounded for the debt or demand, or procured the action or proceedings to be stayed or indemnified the defendant to his or her reasonable satisfaction against the action or proceeding, and against all costs, damages and expenses to be incurred by him or her by reason of the action or proceedings;
- (c) if execution or other process issued on a judgment, decree or order obtained in any court in favour of a creditor against the firm or any person authorised to be sued as nominal defendant on behalf of the firm is returned unsatisfied; or
- (d) if it is otherwise proved to the satisfaction of the court that the firm is unable to pay its debts.

**54. Notice of arrangement or transaction to be advertised in *Gazette*.**

Notice of any arrangement or transaction under which a general partner becomes a limited partner, or under which the contribution of a limited partner in the firm is assigned to any person shall immediately be advertised in the *Gazette* before any such arrangement or transaction comes into effect.

**55. Inspection.**

(1) A person may inspect the statements filed with the Registrar by a limited liability partnership under this Act upon payment of a fee, not exceeding 0.5 of a currency point as the Minister may prescribe.

(2) A person may obtain a certified copy of the certificate of registration of a limited liability partnership or an extract of the certificate from the registered statement of a limited liability partnership, upon payment to the Registrar of a certification fee, not exceeding one currency point, as the Minister may prescribe.

### **56. Conversion of partnerships.**

(1) A limited partnership may be converted into a general partnership by surrendering the certificate of its registration to the Registrar for cancellation.

(2) The Registrar shall, within fourteen days after the surrender of a certificate of registration under subsection (1), publish the conversion in the *Gazette*.

(3) A limited partner who becomes a general partner after the conversion shall continue to be liable for any obligation incurred by the limited liability partnership before the conversion took effect; and shall be liable for any obligations of the general partnership that are incurred by the general partnership after the conversion.

(4) A general partnership may, subject to the provisions of this Act, convert to a limited liability partnership under this Act by delivering to the Registrar a statement containing the particulars specified in section 51.

(5) The Registrar shall, upon receipt of the statement delivered under subsection (4), and upon payment of the prescribed fee, issue a certificate of registration to the person or firm delivering the statement.

(6) A general partner who becomes a limited liability partner shall, after the conversion to a limited partnership, continue to be liable for any obligations incurred by the general partnership before the conversion.

**57. Effect of conversion on pending court action.**

Conversion from one form of partnership to another under this Act shall not affect any action or proceedings pending in court for or against the converting partnership; and the action or proceedings may be continued as if the conversion did not take place.

**58. Winding up of partnership.**

The provisions of the law relating to the winding up of an unregistered company under the Companies Act shall apply, with necessary modifications, to the winding up of a partnership under this Act.

**59. Postponement of share of profits in case of bankruptcy.**

Where—

- (a) a person to whom money has been advanced by way of a loan upon a contract as mentioned in section 3 (c) (iv); or
- (b) a buyer of goodwill in consideration of a share of the profits of the business,

being adjudged a bankrupt, enters into an agreement to pay his or her creditors less than one-fifth of one currency point, or dies insolvent, the lender of the loan shall not be entitled to recover anything in respect of the loan, and the seller of the goodwill shall not be entitled to recover anything in respect of the share of profits contracted for, until the claims of the other creditors of the borrower or buyer for valuable consideration in money or money's worth have been satisfied.

**PART VII—MISCELLANEOUS****60. Existing rules applicable to partnerships.**

The rules of equity and common law applicable to partnerships shall be deemed to apply to partnerships in Uganda, except insofar as they are inconsistent with this Act.



**61. Regulations.**

(1) The Minister may, by statutory instrument, make regulations prescribing any of the following—

- (a) the fees to be paid for anything required to be done under this Act;
- (b) forms to be used for the purposes of this Act; and
- (c) generally prescribing all matters that are required or permitted by this Act to be prescribed, or that are necessary or convenient to be prescribed for carrying out or giving effect to this Act.

(2) Notwithstanding the Interpretation Act, regulations made under this section may prescribe, in respect of a contravention of the regulations, that the offender is liable on conviction a fine not exceeding forty eight currency points, or to imprisonment for a term not exceeding two years, or both.

**62. Amendment of Schedule**

The Minister may, by statutory instrument with the approval of the Cabinet, amend the Schedule to this Act.

**63. Repeal of Cap. 114**

The Partnership Act, Cap. 114, is repealed.

SCHEDULE

*Sections 1 and 63.*

Currency Point

One currency point is equivalent to twenty thousand shillings.

**Cross References**

Business Names Registration Act, Cap.109

Companies Act, Cap. 110

Interpretation Act, Cap. 3

Partnership Act, Cap. 114.