

# Partnership Act of Maldives

## **Preamble and Title**

- (1) (a) This Act shall govern the formation, registration and regulation of Partnerships in the Maldives.
- (b) This Act shall be cited as "Partnership Act of Maldives".

## **Partnership**

- (2) (a) A partnership may be registered as prescribed under this Act for the purpose of carrying out trade or an activity on a commercial basis for earning income in a manner that does not contravene the principles of Islamic Shariah, the laws and regulations of the Republic of Maldives.
- (b) Partnership is a business association of two or more person as co-owners formed under a particular name with a view of profit.
- (c) Companies registered under the Companies Act of the Maldives and any company created by a separate law or a Presidential Decree shall not be a partnership defined under this section or provided under this Act.

## **Registration of Partnership**

- (3) (a) Any persons desiring to form a partnership shall prepare and sign a Partnership Agreement and shall submit to the Ministry of Economic Development and Trade for the registration of such a partnership in accordance with this Act. The Partnership Agreement shall be signed in the presence of not less than two witnesses and such witnesses shall sign the said agreement.
- (b) A partnership will be registered upon the payment of the registration fee of Maldivian Rufiyaa 2,000 and the amount of the annual fee, as provided under section 4 (a) of this Act, in proportion to the calendar year remaining to the Ministry of Economic Development and Trade.

- (c) The date on which the partnership came into existence shall be deemed to be the date stated on the certificate of registration issued upon registration by the Ministry of Economic Development and Trade.

#### **Annual fee**

- (4) (a) Every partnership shall pay an annual fee of Maldivian Rufiyaa 2,000 to the Ministry of Economic Development and Trade before the end of month of February each year.
- (b) Where a partnership has failed to pay the annual fee as provided under subsection (a) before the end of February that year such fee in arrears shall be accepted in March with a fine of Maldivian Rufiyaa 300. If the payment of the annual fee and such fine have not been settled before the end of March, the annual fee will be accepted in April with a fine of Maldivian Rufiyaa 1,000. If the annual fee has not been settled before the end of April, the partnership will be caused to cease its operations and undergo dissolution.

#### **Restraint in carrying out business before registration**

- (5) Prior to the registration of the partnership in accordance with this Act, neither a business activity shall be conducted nor a service be rendered in the name of the partnership. Where a business activity has been conducted or a service has been rendered in the name of the partnership prior to its registration, the person or persons who carried out such activity shall be liable.

#### **Restraint as regards committing acts outside the objectives of the Partnership**

- (6) Neither the partnership nor any partner shall engage in any activity not included in the objectives of the partnership stipulated in the Partnership Agreement. If a partner or some partners have carried on an activity not included in the objectives of the partnership, neither the partnership nor the other partners who have not participated in such activity shall be liable for such. And the liability shall fall on the partner or the partners who carried out such activity.

#### **Number of partners**

- (7) Partnership shall consist of at least two members. The number of partners in the partnership shall not exceed twenty.

### **Name of the Partnership**

- (8) The name of the partnership will be registered if the proposed name is made up of the names of all partners or some of the partners of the partnership ending with the phrase "and partners" or equivalent phrase to the same effect or if a phrase indicating the business activity carried out or service rendered by the partnership is used in connection with some of the partners.

### **Contents of the Partnership Agreement**

- (9) Partnership Agreement of all partnerships shall include the following.
- (a) Name of the partnership
  - (b) Registered address of the partnership
  - (c) The period of the partnership, if it is established for a fixed period
  - (d) Objectives of the partnership
  - (e) Name of the partners and their addresses
  - (f) Capital of the partnership, and the share of each partner in the partnership
  - (g) How the profit and loss is to be shared among partners
  - (h) Name of the managing partner
  - (i) How a person may be admitted to the partnership, removed from the partnership, and leave the partnership
  - (j) Other requirements laid down by the regulations made under this act

### **Status of Partners**

- (10) (a) For the purposes of the business of the partnership every partner shall be an agent of the other partners of the partnership. Anything done by a partner in the ordinary course of the business of the partnership shall bind the other partners.
- (b) If a partner has entered into a transaction with a third person in a matter in which he has no authority to act for the partnership in the particular matter, and where such absence of the authority is known to the third person and where the third party did not know that the person he is dealing with is a partner of the partnership then the other partners shall not be held liable as mentioned in subsection (a).

### **Liability of the partners**

- (11) (b) All the partners shall be jointly and severally liable for every transaction concluded by the partnership and all the debts and other liabilities of the partnership incurred during the time they are partners of the partnership.
- (b) Any person who has been admitted to the partnership shall not be liable for things done by the partnership before his admission into the partnership as a partner.
- (c) A person shall not be excluded from the liability incurred by the partnership while he was a partner of that partnership, even after he has left the partnership.
- (d) Where a partner has expended the partnership's money for a purpose other than those of the partnership without the permission from the other partners, such expenditure shall be a liability of such partner and no liability shall fall on other partners.

### **Representing as a partner**

- (12) (a) Where any person by word or deed or in any other manner represents to be a partner of a partnership or where a person knowingly suffers the use of his name represented by a partnership as a partner and takes no action in respect thereof, such person shall be liable for any owed debts as if he is a partner of that partnership.
- (b) Where after the death of a partner the business of the partnership is continued in its old name by the remaining partners using the name of the deceased partner, the heirs of the deceased partner shall not be liable for any debts of the partnership incurred after the death of such partner.

### **Admission and removal of partners**

- (13) (a) A partner shall be admitted to and removed from the partnership in the manner stipulated in the Partnership Agreement, the provision of this Act and any regulations made hereunder.

- (b) No partner shall be removed from the partnership despite the consent of the majority of the partners except in the manner stated in the Partnership Agreement.
- (c) A partner may include any other person in his share in the partnership. However, no person may be admitted to the partnership except in the manner stipulated in the Partnership Agreement. Where a partnership has admitted a new partner or partners the names of such partners shall be submitted within seven days to the Ministry of Economic Development and Trade.

### **Sharing of profit and loss**

- (14) Profit and loss of the partnership shall be shared among the partners in the proportion in which partners have subscribed to the capital of the partnership in terms of money or property given to be included in the capital or service rendered to the partnership in accordance with the Partnership Agreement.

### **Managing partnership**

- (15) Every partnership shall be managed by the managing partner of the partnership in accordance with the Partnership Agreement.

### **Competing against the partnership without consent of the other partners**

- (16) Where a partner has engaged in a similar business carried out by the partnership without the consent from the other partners or independently of that partnership all the profits so generated shall belong to the partnership.

### **Partnership assets and funds**

- (17) All the assets and funds acquired in the course of the business of the partnership and all rights pertaining thereto shall belong to the partnership. And all the assets and funds of the partnership shall be used for the purposes of the partnership in the manner stipulated in the Partnership Agreement.

### **Documents of the partnership**

- (18) All documents of the partnership shall be kept in the office of the partnership in a manner that they could be inspected by the partners as and when they desire to do so.

### **Selling share of a partner**

- (19) Unless otherwise stated in the Partnership Agreement a share of a partner may be sold or transferred to a person outside the partnership subject to the consent of all other partners.

### **Cease of partnership relationship**

- (20) Unless otherwise agreed between the partners the relationship between a partner and the other partners will cease by the occurrence of the death of such partner or bankruptcy. And that shall not affect the relationship between the surviving partners and those unaffected by bankruptcy.

### **Dissolution of Partnership**

- (21) A partnership may be dissolved in accordance with the Partnership Agreement, this Act and any regulation made hereunder.

### **Some events leading to dissolution of the partnership**

- (22) A partnership will come to an end on the occurrence of the following events.
- (a) If the partnership was created for a particular period, the expiry of such period.
  - (b) If the partnership was created for a particular project or task, the completion of such project or task.
  - (c) Upon the decision of the partners to dissolve the partnership in accordance with the Partnership Agreement.
  - (d) A law has prohibited the business being carried out by the partnership, or a law has prohibited the partners from carrying out the business being carried on by the partnership.
  - (e) Court has ordered the dissolution of the partnership.

### **Dissolution of partnership by Court Order upon a request of a partner**

- (23) Where a partner has filed a petition in a Court to dissolve the partnership, the Court may issue a Court Order to dissolve the partnership in the following situations.
- (a) Where a partner of the partnership is proved to be insane.
  - (b) Where a partner has become permanently incapable to perform his duties as a partner.
  - (c) Where a partner has committed an offence that would cause a substantial loss to the partnership taking into consideration the entire business being carried by the partnership.
  - (d) Where a partner has purposely or repeatedly breached the Partnership Agreement or it has become difficult to carry on the business of the partnership while having such a partner in the partnership.
  - (e) Where the business of the partnership could not be carried except for causing loss.
  - (f) Where the Court finds that the dissolution of the partnership is most just and equitable relief in the matter.

### **Penalty**

- (24) Where any person has acted in contravention to any provision of this Act the Ministry of Economic Development and Trade has the power to levy a fine between Maldivian Rufiyaa 5000 and 15,000 considering the gravity of the contravention.

### **Making of regulations**

- (25) All the regulations to be made for the purpose of implementing this Act shall be made by the Ministry of Economic Development and Trade.

### **Partnerships existing at the time of this Act come into effect**

- (26) All the partnerships existing at the time of this Act coming into effect shall be registered under this Act at Ministry of Economic Development and Trade within 6 months from the date this Act comes into effect.