

PARTNERSHIP ACT OF MALDIVES 1996

Title

1- (a) This Act shall govern the formation, registration and operation of partnerships in 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 to carry on a business for profit in a manner that does not contravene the principles of Islamic Shariah, the laws and regulations of the Republic of Maldives.

(b) A partnership is a business association of two or more persons to carry on as co-owners a business for profit and bearing a separate name.

(c) Companies registered under the Companies Act and any company created by a separate law or a presidential decree shall not be a partnership under this Act.

Registration

3- (a) Any persons desiring to form a partnership shall prepare and execute a partnership agreement and shall submit the same to the Ministry of Trade and Industries. The partnership agreement shall be executed in the presence of at least two witnesses and the witnesses shall also sign on the agreement.

(b) A partnership will be registered upon the payment of the registration fee of Mrf.2000/- and the annual fee as stipulated in section 4(a) below.

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

Annual Fee

4- (a) All partnerships shall pay an annual fee of Mrf.2000/- to the Ministry of Trade and Industries before the end of the month of February each year.

(b) Where a partnership has failed to pay the annual fee before the end of February that year such fee in arrears shall be accepted with a fine of Mrf.300/-. If such fee has not been paid before the end of March together with the fine such fee will be accepted in April with a fine of Mrf.1000/- . If the annual fee together with the fine is not paid before the end of April together with the fine, the partnership will be terminated and deleted from the registry.

Carrying on business before registration

5- No business shall be carried on in the name of the partnership prior to the registration of the partnership. Where any business is carried on before the registration of the partnership, the person or persons who did the act will be liable for it.

Carrying on a business not included in 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 name of the partners or some of the partners of the partnership with the words "and partners" or similar word or if at the end of the name of the partners the business carried by the partnership is indicated.

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, if the partnership is established for a fixed term
- (d) objectives of the partnership.
- (e) name of the partners and their addresses
- (f) capital of the partnership, and the share of each partner of the partnership
- (g) how the profit and loss is to be shared
- (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 rules made hereunder.

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 clause (a) above.

Liability of the partners

11- (a) All the partners shall be jointly and severally liable for 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.

Holding out

12- (a) Where any person by word or deed represents to be a partner of a partnership or where a person by knowing that a partnership has represented him as a partner and then keeps silent, such person shall be liable as if he is a partner of that partnership.

(b) Where the partnership's name includes the name of a deceased partner and the partnership has carried out its business without changing the partnership's name, 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 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 sent to the Ministry of Trade and Industries.

Sharing of profit and loss

14- Profit and loss of the partnership shall be shared among the partners in the proportion in which the partners have contributed money or some service rendered towards the capital of the partnership and in the manner stipulated in the partnership agreement.

Management of the 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 all the profits so generated shall belong to the partnership.

Partnership property

17- All the assets and money acquired in the course of the business of the partnership shall belong to the partnership. And all the money and assets of the partnership shall be used for the purposes of the partnership in the manner stipulated in the partnership agreement.

Books of the partnership

18- All books of the partnership shall be kept in the office of the partnership in a manner that they could be inspected by the partners.

Assignment of partnership interest

19- Unless otherwise stated in the partnership agreement, a share of a partner can be assigned to a person other than to an existing partner with the consent of all other partners.

Dissolution of the partnership

20- Unless, otherwise agreed between the partners the relation between a partner and the other partners will terminate 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.

Winding up

21- A partnership may be wound up 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 end of such project or task.
- (c) Agreement between 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 the partnership by decree of the court upon a request made by a partner

23- Where a partner has filed a petition in the court to dissolve the partnership, the court has the power to order the dissolution of the partnership in the following situations.

- (a) Where a partner of the partnership is proved to be a lunatic.
- (b) Where a partner has become permanently disable to perform his function 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 only 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 by having 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 just.

Penalty

24- Where any person has acted in contravention to any provision of this Act the Ministry of Trade and Industries have the power to levy a fine of 5000/- to 15,000/- Rufiyaa considering the gravity of the contravention.

Regulations

25- All the regulations to be made for the purpose of implementing this law shall be made by the Ministry of Trade.

Existing partnerships

26- All the partnerships existing at the time of this Act taking effect shall be registered under this Act within 6 months from the date this Act enters into force.