



**Jennifer Ross**

## **The Limited Partnership - A New Business Structure**

Limited Partnerships were introduced earlier this year to help develop a local venture capital industry based on an internationally recognised business structure. What does this mean for local people doing business?

For every person in business it means that going forward they may be engaging in transactions with Limited Partnerships. It also means there is an alternative business structure available for consideration when a local venture is being established or restructured, whether there is international involvement or not.

In both situations a basic understanding of what a Limited Partnership is will be essential to informed decision making.

A Limited Partnership is a hybrid of a company and a partnership, it is a separate legal entity and has full capacity to carry on business accordingly but it also has a flow-through tax status which may be useful where an investment is expected to make losses for a period or where some partners have a special tax status. Limited Partnerships are regulated by the Limited Partnerships Act 2008 which, much like the Companies Act 1993, sets out the framework in which a Limited Partnership may be established, registered, operated and terminated.

A Limited Partnership comprises of at least one general partner and one limited partner and must be registered with the Registrar of Companies. In the same way you might check on the Companies Register that you are dealing with a director of a company, if you're doing business with a Limited Partnership make sure you are dealing with the general partner that appears on the Register.

The general partner is responsible for the management of the Limited Partnership and liable for its debts. The limited partners have no authority to enter into binding contracts on behalf

of and no involvement in the management of the Limited Partnership except to the extent of 'safe harbours' provided by the legislation.

Another similarity with a company is that the Limited Partnerships Act 2008 provides persons dealing with a Limited Partnership with protections that are similar to those protections available when dealing with an incorporated company. A Limited Partnership may not assert against a person dealing with it that a document issued on its behalf by a general partner or employee with actual or usual authority to issue the document is not valid or genuine.

The following benefits make consideration of a Limited Partnership worthwhile when looking at a new venture or restructuring an existing business:

- Separate legal personality. A Limited Partnership is an entity separate from the partners that form it and has full capacity to carry on business accordingly.
- A flow-through tax status which may be useful where an investment is expected to make losses for a period or where some partners have a special tax status.
- Limitation of liability for limited partners.
- Provides investors with an internationally recognised structure in which to manage their direct investment.
- The Limited Partnership agreement is a flexible document that can be tailored to suit the particular needs of the parties. It is a private contract between the partnership and partners and provides the partners with the ability to contract out of certain fiduciary obligations. Unlike a company constitution the Limited Partnership agreement is not publically registered.

We have already been involved in advising several Waikato businesses in respect of Limited Partnerships and expect to see more local parties taking advantage of the benefits offered by this structure in the future.

**Contact Details:**

Jennifer Ross  
Commercial Corporate Team  
DDI: (07) 834 6002  
Fax: (07) 834 6100  
Email: [jennifer.ross@nwm.co.nz](mailto:jennifer.ross@nwm.co.nz)