

How to dissolve a partnership

There are countless reasons why you may be considering exiting or dissolving a business partnership. Whatever the reason, the process of doing so can be daunting and legally complex.

Use the tips in this document to serve as an informal checklist of the necessary steps to follow before, during and after the dissolution of a partnership.

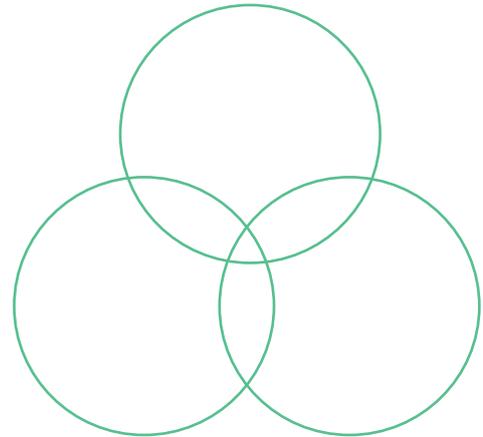
If you have no written partnership agreement in place, any partner can effectively dissolve the partnership without giving notice. However, dissolving the business without notice is likely to give rise to disputes, especially when dividing any assets and liabilities. As such, it is strongly recommended that you consult a lawyer to act as a mediator, so that you and your partners can decide on a mutually beneficial dissolution agreement.

Before giving your partner notice that you wish to end the partnership, consider whether there may be any alternative options, like changing the responsibilities of each partner.

If you still wish to proceed with ending the partnership, whether or not you have a written agreement, anyone with whom you are doing business should be notified immediately of the dissolution, including customers, suppliers, and any relevant regulatory bodies. Also, no further business should be conducted in the partnership's name.

Be sure to carefully review any clauses regarding dissolution in your partnership agreement with a lawyer to ensure you follow all of the necessary steps for ending the partnership in line with all your contractual duties.

When wrapping up your business affairs, assets and liabilities are usually assumed according to each partner's percentage of ownership and the terms of the partnership agreement.



There are many legal regulations that must be complied with in full when liquidating assets, collecting debts, and distributing profits, so specialist legal advice should always be sought in this regard before undertaking the dissolution.

Also bear in mind that any contracts, leases or agreements between your company and third parties should be carefully reviewed with a lawyer to verify how they will be affected by the dissolution, particularly in the event that the contracts still stand regardless of whether or not the partnership is dissolved.

Once your partnership has been dissolved, you must inform HMRC within 30 days or risk a financial penalty. If your company isn't VAT-registered, then you can advise HMRC of the dissolution on your partnership tax returns, but if you are VAT-registered, then your partnership details can be updated online through your VAT account.

Dissolving a partnership can be tricky, and if not handled properly, it's fairly common for dissolutions to become acrimonious and to end up in Court. To avoid this, consult a qualified lawyer from the moment you consider exiting or dissolving the partnership.

For more information, or for expert advice on business or personal legal issues, call us on 020 3475 6751 or via email at info@carterbond.co.uk

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