HMRC - VATDSAG04050 - What Is A Partnership?

A partnership is defined in the Partnership Act 1890, section 1(1) as ‘the relation which subsists between persons carrying on a business in common with a view to profit’. For the purposes of the Partnership Act 1890, persons acting in partnership are collectively called ‘a firm’. The terms ‘partnership’ and ‘firm’ are, to all intents and purposes, interchangeable.

A partnership is an unincorporated association in which the agreement between the parties is such that the relationship between

themselves, and

themselves and third parties

is governed by the Partnership Act.

Individual partners may be corporate bodies but the partnership itself will not be incorporated.

The existence of a partnership is a matter of fact. Generally speaking, the essential elements of a partnership are:

there must be a business

the business must be carried on by two or more parties in common with a ‘view to a profit’

those parties share any net profits and losses arising from the business activities

those parties individually have the power, by their words or actions, to legally bind the other members of the firm in relation to its transactions with third parties.

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