

# **THE PARTNERSHIPS ETC (REMOVAL OF TWENTY MEMBER LIMIT (NORTHERN IRELAND) ORDER 2003**

**S.I. 2003 No. 2904 (N.I. 17)**

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## **EXPLANATORY MEMORANDUM**

### **INTRODUCTION**

1. The Partnerships etc (Removal of Twenty Member Limit) (Northern Ireland) Order 2003 (“the Order”) was made on [insert the date].
2. This Explanatory Memorandum has been prepared by the Department of Enterprise, Trade and Investment (“the Department”) in order to assist the reader in understanding the Order. It does not form part of the Order.
3. The Memorandum needs to be read in conjunction with the Order. It is not, and is not meant to be, a comprehensive description of the Order. So where an Article or part of an Article does not seem to require any explanation or comment, none is given.

### **BACKGROUND AND POLICY OBJECTIVES**

4. The original reason for introducing a prohibition on numbers of partners was to restrict the extent to which partnerships were open to abuse, in light of experience in the eighteenth and nineteenth centuries with deed of settlement companies. The concern was that the larger the body of fluctuating members, the greater the difficulty in joining them all in a suit against the business (as necessary then). The result would be that many partners would effectively achieve nil liability. The subsequent removal of the requirement to join all the partners in a suit means the prohibition is no longer relevant.
5. Currently a number of practices are used to circumvent the 20-partner limit where exemptions are not available. These include organising the business into a number of parallel partnerships, each of less than 20 partners, or the use of trustee, nominee or corporate partners. Such arrangements place administrative burdens on these partnerships and present barriers to the natural growth of the business. The 20-partner limit may also restrict the ability of business to reward staff by making them partners.

### **CONSULTATION**

6. The consultation period was undertaken over the period 28<sup>th</sup> February to 30<sup>th</sup> May 2003. A wide range of organisations were consulted including, MPs, Assembly Members, Law Society, Belfast Solicitors Association and Chartered Institute of Accountants. Voluntary and community organisations representing section 75 groups were also consulted. None of the replies received were unfavourable.

### **MAIN ELEMENTS OF THE ORDER**

7. The proposal to remove the 20-partner limit in partnerships aims to further encourage enterprise in Northern Ireland by removing a regulatory measure, which potentially

*This Explanatory Memorandum refers to the The Partnerships etc (Removal of Twenty Member Limit (Northern Ireland) Order 2003No. 2904 (N.I. 17)*

inhibits the development of partnerships, and adds administrative and cost burdens to the operation of partnerships affected by the limit.

8. The proposals will also provide Northern Ireland partnerships with the same regulatory framework operating in Great Britain thus reducing any competitive advantage favouring GB firms.

## **COMMENTARY ON ARTICLES**

### ***Article 1: Title and Commencement***

This article creates the broad framework within which the Department may make regulations relating to the Removing 20 Partner Limit.

### ***Article 3: Removal of twenty member limit on partnerships, etc.***

This article removes the 20 member limit set previously under the Limited Partnerships Act 1907 and articles 665 of the Companies (Northern Ireland) Order 1986 (NI 6).

## **COMMENCEMENT**

The provisions of this Order come into operation on the expiration of two months from the date on which this Order is made.