Where there is no agreement in place, each partner is deemed to own equal shares of each asset as prescribed by the Partnership Act 1895.

A legally binding agreement is advisable for all partnerships. A lawyer will be able to assist in documenting this agreement and providing a copy to all partners.

TIP: Don’t assume that friends and relatives will make good business partners. They may not have the necessary attributes to be a good business person.

Key considerations

Before meeting with a lawyer, it is a good idea for potential partners to get together to discuss key considerations such as:

- Each partner’s contribution of their time, effort, money, and assets.
- The share of profits and losses.
- Partnership salaries.
- Participation in the management of the business.
- The procedure for resolving disputes.
- The procedure for ending or resigning from the partnership.

Contributions of each partner

- How much money will each partner bring to the partnership?
- How will percentage of ownership be decided?
- How will the day-to-day operations of the business be managed?
• What happens if the business needs more money? Will the partners have to invest more, look for other investors or dissolve the partnership?
• Who can decide on whether to allow new partners to enter the business?
• What time period do partners need to remain in the business before they can voluntarily leave?
• How long is the partnership expected to operate? This could be indefinitely or for a defined time period.
• How will ownership rights of partnership property be assigned?

Deaths or disability
• What will happen in the event of death or disability of a partner?
• What level of involvement should beneficiaries have in the partnership?

Procedure for resolving disputes
• How will disagreements be handled?
• Does the procedure allow for mediation or arbitration of disputes?

Procedure for ending or resigning from the partnership
• What will happen if a partner wants to leave or the business is to be sold?
• How much notice does a partner need to provide of their intention to leave?
• How will outstanding debts be paid in the event of the partnership being dissolved?
• In what circumstances may a partner be involuntarily removed from the partnership?
• What rights will departing partners have if they want to start a similar business?

Salaries and share of profits and losses
• How will the profits be divided?
• What will the salaries be?
• How will partners access bank accounts and funds?
• Who is going to provide the financial reports?
• Will partners be repaid for their investment in the business? When will this occur?

Participation in the management of the business
• What will each partner do in the company – their roles and responsibilities?
• How often will management meetings occur?
• What business decisions will require either a majority or unanimous vote of the partners?
• Who can bind the partnership in a contractual agreement?
• How will partnership assets be managed? How will the sale of assets be decided?
• What level of financial liability (dollar amount) is acceptable before unanimous consent of all partners is required? Will liability under that amount only require the consent of a majority of partners?

More information
Seek assistance from a lawyer to write your partnership agreement. You can obtain referrals to lawyers through the Law Society of WA.
A full detail of the Partnership Act 1895 is available from the State Law Publisher.