

**LIMITED LIABILITY OF PARTNERSHIP ACT: A PROPOSAL FOR
MALAYSIA**

By

Tengku Rinanda Putri bt. Tengku Aziz (2003642789)
Puteri Noorhazatul Ezra bt. Mohd Awal (2002376105)
Azrina bt. Abd Rahman (2003642572)
Hanisah bt. Kamaruddin (2003642677)

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The students/authors confirm that the work submitted is their own and that appropriate credit has been given where reference has been made to the work of others.

ABSTRACT

The purpose of our project paper is to determine the problems that occur in Malaysia's Partnership, which is, governed by the Partnership Act 1961. But the main focus of this project paper is on the liability of the partners in partnership. There are several disadvantages mainly on the liability of partners in Malaysia.

The main problem for partners in Malaysia is that their liability is unlimited. For example if any problems occur in a firm, the partners will be held liable personally. Other than that, every partner can be said to be liable jointly and severally for everything that had been done towards the firm while the member is a partner. It can also be said that partners will be liable for the debts of the firm even it is caused by other partners.

That is why we would like to propose the Limited Liability of Partnership Act (LLP) in Malaysia to fill the lacuna in the law of partnership, whereby in LLP the liabilities of the partners are limited. As a conclusion, what we had achieved is that majority of the people in the business world do agree that we should adopt the Limited Liability of Partnership Act 2000 in United Kingdom into the Partnership Act 1961 Malaysia.

TABLE OF CONTENTS

Acknowledgment	ii
Abstract	iii
Contents	iv
List of Cases	iv

CHAPTER ONE: INTRODUCTION

1.0	Introduction	1
1.1	Background	5
1.2	Research Question	6
1.3	Limitations of the Research	9
1.4	Research Methodology	12

CHAPTER TWO: PARTNERSHIP IN MALAYSIA

2.0	Business organisation in Malaysia	13
	2.0.1 Differences between a Partnership and a Company	15
2.1	Historical Background	16
2.2	What is Partnership	17
	2.2.1 Relation	18
	2.2.2 Persons	18
	2.2.3 Business	18
	2.2.4 In Common	19
	2.2.5 With a View of Profit	19
2.3	Types of Partnership	20

2.3.1	Professional Partnership	20
2.3.2	Ordinary Partnership	21
2.3.3	Strategic Partnership	21
2.4	How to form a Partnership in Malaysia	22
2.4.1	Companies Commission of Malaysia	23

CHAPTER THREE: PROBLEMS OF PARTNERSHIP IN MALAYSIA

3.0	Introduction	25
3.1	Disadvantages of Partnership in Malaysia	25
3.1.1	Section 11	25
3.1.2	Section 13	25
3.1.3	Section 14	26
3.1.4	Section 15	26
3.1.5	Section 16	27
3.1.6	Section 17	27
3.1.7	Section 18	27
3.1.8	Section 19	28

CHAPTER FOUR: WHAT IS LIMITED LIABILITY OF PARTNERSHIP

4.0	Historical background in United Kingdom	29
4.1	Nature of Limited Liability of Partnership	30
4.1.1	How to Form a Limited Liability of Partnership	31

CHAPTER FIVE: TABULATION OF QUESTIONNAIRE

5.0	Biodata of respondents	34
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CHAPTER ONE: INTRODUCTION

1.0 Introduction

Partnership is a type of business organization in Malaysia. The business exists when at least two persons agree to carry on a business in common with a view to profit. Unlike a limited company, a partnership does not exist as a separate legal entity. Partnership normally springs up between friends. The advantage of having a partnership is it is easy to get off the ground and it also provides a wider capital base compared to a sole proprietorship. In partnership, partners pool their capital and work together in business. Partnership is an excellent arrangement in operating a business where different skills can be utilized where each partners can contribute to the business be it specific knowledge, skills or strong contacts. However the disadvantages of partnership is where partners will have to be liable for debts of the partnership even if it caused by the actions of other partners. With unlimited liability, each partner is also liable to use their private resources to meet the partnership's debts. Whereas at the personal matters, partners will face the problem that maybe one of the partners cannot give a full cooperation and disagreements will occur. Even though a partnership provides a wider capital base compared to a sole proprietorship, the capital for expansion may still be limited unless additional partners are brought in. A partnership ends if any one of the partners resigns or dies.

The legal requirement to set up a partnership is minimal as compared to that of a company. In law a partnership is not a legal entity, separate and distinct from the partners unlike a limited company. However, it is advisable to have a formal Partnership agreement drawn up by a solicitor. The agreement should state the responsibilities and the procedure for dealing with disputes between the partners. Partnership Agreement is in fact an absolute necessity. In Malaysia, only Malaysian citizens and permanent residents can register a business in the form of partnership. Here, we only have ordinary partnership whereby the liability of the partners are not limited and protected. It is basically not enough. Due to this situation, we would like to propose the Limited Liability of Partnership to be applied in Malaysia. The manner in which partnerships are structured in Malaysia has remained the same for the last 200 years. In the United State, it