

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- “act of a firm” means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm
- “Partnership” is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Persons who have entered into partnership with one another are called individually “partners” and collectively a “firm”, and the name under which their business is carried on is called the “firm name”.

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- The relation of partnership arises from contract and not from status; and, in particular, the members of a Hindu undivided family carrying on a family business as such, or a Burmese Buddhist husband and wife carrying business as such, are not partners in such business.
- In determining whether a group of persons is or is not a firm, or whether a person is or is not a partner in a firm, regard shall be had to the real relation between the parties, as shown by all relevant facts taken together

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- Where no provision is made by contract between the partners for the duration of their partnership, or for the determination of their partnership, the partnership is “partnership at will” .
- A person may become a partner with another person in particular adventures or undertakings.
- Partners are bound to carry on the business of the firm to the greatest common advantage, to be just and faithful to each other, and to render true accounts and full information of all things affecting the firm to any partner or his legal representative

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- Rights and duties of partners.—Subject to contract between the partners—(a) after a change in the firm.—where a change occurs in the constitution of a firm, the mutual rights and duties of the partners in the reconstituted firm remain the same as they were immediately before the change, as far as may be;
- (b) after the expiry of the term of the firm, and.—where a firm constituted for a fixed term continues to carry on business after the expiry of that term, the mutual rights and duties of the partners remain the same as they were before the expiry, so far as they may be consistent with the incidents of partnership at will; and
- (c) where additional undertakings are carried out.—where a firm constituted to carry out one or more adventures or undertakings carries out other adventures or undertakings, the mutual rights and duties of the partners in respect of the other adventures or undertakings are the same as those in respect of the original adventures or undertakings.

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- Holding out.—(1) Any one who by words spoken or written or by conduct represents himself or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to any one who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit.
- (2) Where after a partner's death the business is continued in the old firm name, the continued use of that name or of the deceased partner's name as a part thereof shall not of itself make his legal representative or his estate liable for any act of the firm done after his death

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

Retirement of a partner.—(1) A partner may retire,—(a) with the consent of all the other partners,
(b) in accordance with an express agreement by the partners, or
(c) where the partnership is at will, by giving notice in writing to all the other partners of his intention to retire.

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

Insolvency of a partner.—(1) Where a partner in a firm is adjudicated an insolvent he ceases to be a partner on the date on which the order of adjudication is made, whether or not the firm is hereby dissolved.

(2) Where under a contract between the partners the firm is not dissolved by the adjudication of a partner as an insolvent, the estate of a partner so adjudicated is not liable for any act of the firm and the firm is not liable for any act of the insolvent, done after the date on which the order of adjudication is made

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

Right of outgoing partner to carry on competing business.—(1) An outgoing partner may carry on a business competing with that of the firm and he may advertise such business, but, subject to contract to the contrary, he may not,—(a) use the firm name,

(b) represent himself as carrying on the business of the firm, or

(c) solicit the custom of persons who were dealing with the firm before he ceased to be a partner. Agreements in restraint of trade.—(2) A partner may make an agreement with his partners that on ceasing to be a partner he will not carry on any business similar to that of the firm within a specified period or within a specified local limits; and, notwithstanding anything contained in section 27 of the Indian Contract Act, 1872 (9 of 1872), such agreement shall be valid if the restrictions imposed are reasonable.

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

Dissolution of a firm.—The dissolution of partnership between all the partners of a firm is called the ‘dissolution of the firm’

- Compulsory dissolution.—A firm is dissolved,—[\(a\)](#) by the adjudication of all the partners or of all the partners but one as insolvent, or
- [\(b\)](#) by the happening of any event which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership: Provided that, where more than one separate adventure or undertaking is carried on by the firm the illegality of one or more shall not of itself cause the dissolution of the firm in respect of its lawful adventures and undertakings

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

Dissolution on the happening of certain contingencies.—Subject to contract between the partners a firm is dissolved,—(a) if constituted for a fixed term, by the expiry of that term;

(b) if constituted to carry out one or more adventures or undertakings, by the completion thereof;

(c) by the death of a partner; and

(d) by the adjudication of a partner as an insolvent

Partnership Act

Source: <https://indiankanoon.org/doc/107341/>

- Dissolution by notice of partnership at will.—(1) Where the partnership is at will, the firm may be dissolved by any partner giving notice in writing to all the other partners of his intention to dissolve the firm.
- (2) The firm is dissolved as from the date mentioned in the notice as the date of dissolution or, if no date is so mentioned, as from the date of the communication of the notice

Partnership Act

Source: <https://indiakanoon.org/doc/107341/>

- Dissolution by the Court.—At the suit of a partner, the Court may dissolve a firm on any of the following grounds, namely:—(a) that a partner has become of unsound mind, in which case the suit may be brought as well by the next friend of the partner who has become of unsound mind as by any other partner;
- (b) that a partner, other than the partner suing, has become in any way permanently incapable of performing his duties as partner;
- (c) that a partner, other than the partner suing, is guilty of conduct which is likely to affect prejudicially the carrying on of the business, regard being had to the nature of the business;
- (d) that a partner, other than the partner suing, wilfully or persistently commits breach of agreements relating to the management of the affairs of the firm or the conduct of its business, or otherwise so conducts himself in matters relating to the business that it is not reasonably practicable for the other partners to carry on the business in partnership with him;
- (e) that a partner, other than the partner suing, has in any way transferred the whole of his interest in the firm to a third party, or has allowed his share to be charged under the provisions of rule 49 of Order XXI of the First Schedule to the Code of Civil Procedure, 1908 (5 of 1908) or has allowed it to be sold in the recovery of arrears of land revenue or of any dues recoverable as arrears of land revenue due by the partner;
- (f) that the business of the firm cannot be carried on save at a loss; or
- (g) on any other ground which renders it just and equitable that the firm should be dissolved.