
389/1988

Partnerships Act

By decision of Parliament, the following is enacted:

1 Chapter 1

General provisions

Section 1 (1444/2015)

Scope of application and partners' liability

This Act applies to general partnerships and limited partnerships registered under Finnish law, unless otherwise provided in any other act. In a general partnership and a limited partnership, two or more partners jointly carry out business activities for a mutual financial interest under a partnership agreement.

The parties to the partnership agreement of a general partnership (the partners) are liable for the partnership's obligations in full, as if they were a personal debt. In a limited partnership, the liability of one or more, but not all, of the partners for the partnership's obligations is limited to the amount of asset contribution specified in the partnership agreement.

In this Act, a silent partner means a partner in a limited partnership whose liability for the partnership's obligations has been limited in the manner referred to in subsection 2. A general partner means another partner of a limited partnership.

Section 2 (1444/2015)

Creation and registration of a partnership

General partnerships and limited partnerships are created through registration. A partnership shall be submitted for registration within three months of the signing of the partnership agreement or the formation of the partnership expires. Provisions on the registration of partnerships into the Trade Register are laid down in the Trade Register Act (129/1979) and provisions on company names are laid down in the Company Names Act (128/1979).

Section 3

Legal capacity

General partnerships and limited partnerships may acquire rights and enter into commitments as well as be parties before a court or other authorities.

Section 3a (1444/2015)

Activities prior to registration

Prior to registration, a partnership may not acquire rights or enter into commitments nor be a party before a court or any other authority.

Prior to the registration of a partnership, those having decided on and participated in any acts on behalf of the partnership are jointly and severally liable for such acts. Obligations arising from any act carried out after the signing of the partnership agreement or any act specified in the partnership agreement carried out not more than one year before the signing of the partnership agreement are transferred to the partnership when the partnership is registered.

Prior to the registration of the partnership, the partners of a general partnership and the general partners of a limited partnership as well as the managing director have the right of action in matters pertaining to the formation of the partnership and may take measures for the receipt of payments for partnership shares.

Section 3b (1444/2015)

Legal acts with an unregistered partnership

If a contractual partner of a partnership knew that the partnership had not been registered, he or she may, unless otherwise agreed, withdraw from an agreement made with the partnership if the registration notification concerning the formation has not been submitted within the time limit laid down in section 2 or if the registration has been refused.

If the partner did not know that the partnership had not been registered, he or she may withdraw from the agreement until the partnership has been registered.

Section 3c (1444/2015)

Expiry of formation

The formation of a partnership expires if the partnership has not been submitted for registration within the time limit laid down in section 2 or if the registration is refused.

If the formation expires, the partners in a general partnership and the general partners in a limited partnership as well as the managing director are jointly and severally liable for returning the amount paid for the partnership share as well as any income derived on it to the partners. Normal costs arising from measures referred to in section 3a, subsection 3 may be deducted from the amount to be returned.

Section 4 (1444/2015)

Partnership agreement and its amendment

The partners shall date and sign the partnership agreement and the agreement shall state:

- 1) the name of the partnership;
- 2) the place of registered office (municipality in Finland);
- 3) the line of business; and
- 4) the partners.

Any amendment to the partnership agreement is valid only if all of the partners are unanimous on the amendment.

Assignment of a partnership share or its part is ineffective on the partnership unless made with the consent of all of the partners.

Any decision on an amendment to the partnership agreement shall be submitted without delay for registration and shall not be implemented until registered. If an amendment to the partnership agreement requires such implementation measures that are entered into the register, the amendment shall nevertheless be submitted for registration and be registered simultaneously with the implementation measures.

The provisions of subsections 2 and 3 of this section apply unless otherwise agreed in the partnership agreement.

Section 5

Jurisdiction

Unless otherwise agreed, any action related to a partnership relationship or the liquidation of a partnership or the distribution of its assets shall be brought before the court that, under the law, has jurisdiction in actions brought against the partnership. The same court has jurisdiction also in any action for damages referred to in this Act. Any application to have a liquidator appointed for the partnership shall always be made to the said court.

2 Chapter 2

Mutual relations of the partners of a general partnership

Section 1

Non-mandatory nature of provisions

The provisions of this chapter apply unless otherwise agreed in the partnership agreement. (1444/2015)

The rights of a partner specified in sections 15 and 16 may not, however, be limited.

Section 2

Management of partnership affairs

A partner has the right to manage the affairs of the partnership without the contribution of another partner. A partner shall not use a third party as a substitute for this task.

A measure not within the line of business or purpose of the partnership shall not be taken without the consent of all of the partners.

If a measure, under the partnership agreement, requires the consent of more than one partner but one of them is prevented from giving his or her consent due to ill health or absence, a partner may, nevertheless, perform the act if it is urgent and necessary in order to safeguard a right of the partnership or to prevent impending damage to the partnership. (1444/2015)

Section 3

Right of veto

A partner has the right to prohibit another partner from undertaking an individual measure.

A partner does not, however, have the right of veto if he or she under the partnership agreement does not have the right to manage the affairs of the partnership or if the measure has been agreed upon in accordance with the partnership agreement at a meeting of the partners.

Section 4

Managing director

The partners may agree that one of them or a non-partner acts as the managing director of the partnership tasked with the day-to-day management of the partnership.

Every partner who has the right to manage the affairs of the partnership may, at any time, remove a non-partner managing director from this office. Provisions on the removal and resignation of a partner from the office of managing director are laid down in section 5.

Section 5

Termination of special duties

A partner who, in the partnership agreement, has been entrusted with the management of all or certain affairs of the partnership may, by unanimous decision of the other partners, be removed from the role.

A partner entrusted with a duty referred to in subsection 1 may, on serious grounds, resign from the duty unless the resignation is unreasonable vis-à-vis the other partners.

Section 6

Partnership contribution

The partners shall make the partnership contribution agreed upon in the partnership agreement. Interest for late payment shall be paid on any unpaid monetary partnership contribution in accordance with the Interest Act (633/1982).

Section 7

Reimbursement of expenses

A partner has the right to collect from the partnership any expenses he or she has incurred as a result of managing the affairs of the partnership or the repayment of a partnership debt.

A partner has the right to receive interest on receivables referred to in subsection 1 in accordance with section 3, subsection 2 of the Interest Act from the date on which the receivable arose until the date from which the partner under the Interest Act has the right to receive interest for late payment.

Section 8

Partner's right to remuneration

A partner has the right to receive reasonable consideration for work he or she has carried out for the partnership and for performing duties included in the management of the partnership, even in the absence of an agreement concerning this, unless it is evident from the circumstances that the work was or duties were intended to be performed without consideration.

A partner who wishes to bring a claim concerning consideration referred to in subsection 1 shall bring action within one year from the end of the financial period during which the work or duty was performed.

Section 9

Distribution of profit and loss

Out of the profit for a financial period, the partners are first paid shares that correspond to the interest in accordance with the rate specified in section 3, subsection 2 of the Interest Act on their respective contributions remaining at the beginning of the financial period. If the profit does not suffice for the payment of these shares in full, the profit is distributed on a pro rata basis to the contributions.

After the partners have been paid their shares under subsection 1, the remainder of the profit is distributed equally between the partners. Any loss is distributed equally between the partners. If equal distribution is unreasonable, the distributive shares may be adjusted.

If the partnership agreement provides only for the determination of the basis for the distribution of a profit or of a loss, this basis shall be applied in the distribution of both a profit and a loss.

Once the financial statements have been prepared, a partner has the right to receive his or her share of the profit to the extent that it is not needed to make up for a shortfall in his or her agreed contribution to the partnership. Any share of a loss is deducted from the partnership contribution.

Section 10

Claims against another partner

A partner does not have the right to present a claim to another partner for an expense referred to in section 7, a receivable under section 8 or a share of the profit under section 9

prior to the completion of a settlement carried out when the partnership is dissolved or when a partner resigns from the partnership.

Section 11

Non-competition

A partner may not carry out activities competing with the partnership unless the other partners so consent.

Section 12

Liability for damages

A partner and the managing director are liable to compensate for damage that he or she has, in their position, caused to the partnership either deliberately or through negligence.

The provisions of chapters 2 and 6 of the Tort Liability Act (412/1974) apply to the adjustment of damages as well as to the allocation of liability between two or more liable persons.

Section 13

Right of a partner to bring action for damages

Each partner may, in his or her name, bring action on behalf of the partnership, against a partner or the managing director for damages based on the damage referred to in section 12. The other partners shall be granted the opportunity to be heard in the proceedings relating to the action.

The partner bringing the action bears his or her legal costs. He or she does, however, have the right to receive compensation from the partnership towards the costs to the extent covered by any amounts awarded to the partnership in the proceedings.

Section 14

Limitation of actions

An action against a partner or the managing director for damages referred to in section 12 shall be brought within one year from the end of the financial period during which the decision or measure on which the action is based was taken.

Notwithstanding subsection 1, an action may also be brought later if a partner, within the period laid down for the preparation of the financial statements, was not given essentially correct and sufficient information on the decision or measure on which the action is based. No action may, however, be brought once three years have elapsed since the end of the financial period in question.

The provisions of this section do not apply to liability for damages based on a punishable act.

Section 15

Right of access

A partner has the right to inspect the partnership's accounts and access information about the partnership's activities.

A partner may use assistants when inspecting the accounts. Other partners may prohibit the use of an assistant if the assistant is not a financial auditor. The provisions of chapter 4, section 8 of the Auditing Act (1141/2015) on auditors apply to the obligation of confidentiality and professional secrecy of assistants. (1207/2015)

An inspection shall not cause unreasonable disturbance to the partnership's activities.

Section 16

Objecting to the financial statements

If a partner wishes to object to the financial statements, he or she shall bring action against the other partners within one year from the end of the financial period.

If the financial statements have not been prepared within the period laid down, action may be taken within one year from the date on which they were prepared.

3 Chapter 3

Representing a general partnership

Section 1

Partner's right to represent

Each partner has the right to represent the partnership and to sign in its name in matters within the line of business of the partnership.

The right to represent the partnership and to sign in its name may be limited by the partnership agreement so that one or more partners do not have the right or that two or more partners have the right jointly. Before the date of publication of its entry in the Trade Register, a limitation may only be invoked against such a non-partner who knew about the limitation. (1444/2015)

Any other limitation, than a limitation on the right to represent the partnership or sign in its name specified above, may only be invoked against such a non-partner who knew about the limitation.

Section 2

Managing director's right to represent

A non-partner managing director has the right to represent the partnership in matters that, under chapter 2, section 4, subsection 1, are within his or her duties.

Section 3

Procurations

A procurations is granted jointly by all of the partners.

Each partner who alone or jointly with another partner has the right to manage the affairs of the partnership may, unless otherwise agreed, act alone in revoking a procurations.

Section 4

Service of notices to a partnership

A partnership is deemed to have been informed of a summons and other notice when it has been served on a partner, the managing director or a holder of procurations.

4 Chapter 4

Debt liability of a partner in a general partnership

Section 1

Beginning and termination of debt liability

A partner is, in the manner specified in chapter 1, section 1, liable also for the obligations that the partnership had when he or she joined the partnership.

A partner is liable for an obligation incurred after his or her resignation from the partnership if the creditor did not know that the partner had left the partnership prior to the commencement of the obligation.

A partner is not, however, liable for obligations incurred after the entry into the Trade Register and publication of his or her resignation from the partnership.

Section 2

Debt liability in the event of the bankruptcy of a partnership

If the assets of a general partnership are surrendered in bankruptcy, a partner may also be required to immediately repay a debt of the partnership that is not yet due.

Section 3

Distributive share in a partner's bankruptcy

In a partner's bankruptcy, a partnership creditor filing a claim that is based on the partnership's debt will receive a distributive share only in respect of that part of the claim that cannot be collected from the partnership.

5 Chapter 5

Liquidation of a general partnership

Section 1 (1444/2015)

Dissolution of a partnership

A partner has the right to request that the partnership be dissolved when:

- 1) he or she has given notice to terminate the partnership agreement and the period of notice has ended, or when his or her agreed partnership period has ended;
- 2) another partner is declared bankrupt or his or her share in the partnership is distrained;
- 3) another partner has died and no other agreement on the continuation of the partnership in the case of this has been or is concluded; or
- 4) for reasons referred to in section 5, the conditions for the continuation of the partnership have lapsed.

In addition to the provisions of subsection 1, following the bankruptcy of a partner or the distraint of a partner's share, the bankruptcy estate or the buyer that acquired a distrained share of the partnership in a compulsory auction may request that the partnership be dissolved. Following the death of a partner, the deceased's estate has the same right unless an agreement to continue the partnership is concluded.

The manner in which the partnership is dissolved may be agreed in the partnership agreement.

Once a request to dissolve the partnership has been made, the partnership is dissolved in accordance with the partnership agreement or, if the dissolution procedure is not provided for in the partnership agreement, in the manner separately agreed upon by the partners.

A term of the partnership agreement referred to in subsection 3 above shall not be submitted for registration and an agreement of the partners referred to in subsection 4 shall not be concluded in a case referred to in subsection 1, paragraph 2 without the consent of the bankruptcy estate, distraint creditor or compulsory auction buyer nor in a case referred to in paragraph 3 of the same section without the consent of the deceased's estate.

If the manner of dissolution is not provided for in the partnership agreement or separately agreed upon by the partners, the liquidation of the partnership shall take place as provided in this chapter.

Section 2

Notice to terminate a partnership agreement

If the partnership agreement is in force indefinitely, each partner has the right at any time to terminate the agreement by giving notice of the termination to the other partners. The period of notice is six months, unless otherwise agreed.

If the activities of the partnership are continued beyond the end of the partnership period agreed in the partnership agreement, the partnership agreement is deemed to be in force indefinitely after that.

The provisions of subsection 1 apply to a partnership agreement concluded for the lifetime of a partner or for more than ten years when ten years have elapsed from the beginning of the partnership period.

However, there is no right of termination by giving notice, if the partners agree to extend a partnership period of no longer than ten years into a new partnership period of no longer than ten years. Any agreement restricting the right of a partner of a general partnership or a general partner of a limited partnership to give notice to terminate a partnership agreement referred to in this subsection is invalid. (1444/2015)

Section 3

Bankruptcy of a partner and distraint of a partnership share

If a partner has been declared bankrupt or his or her partnership share has been distrained but the partnership has not gone into liquidation, a debtor may, as a partner, manage the affairs of the partnership and represent it only with the consent of the other partners and, if the partner is bankrupt, also with the consent of the bankruptcy estate.

If the partnership has gone into liquidation due to the bankruptcy of a partner, the administration of the bankruptcy estate represents the debtor in the partnership liquidation procedure and in the distribution of partnership assets.

If the partnership share has been distrained, the debtor may agree on the redemption of his or her partnership share and the distribution of assets only with the consent of the distraint creditor. When a partnership has gone into liquidation, the distraint creditor also has the right to file for the appointment of a liquidator as well as to object to the final settlement of accounts and the distribution of assets.

Section 4

Representation of a deceased partner's estate

If the deceased partner's estate does not have an estate administrator, it shall appoint a party to the estate or other person to represent it in the liquidation of the partnership. If the deceased's estate, upon request, fails to appoint such a representative, a partner may request the court referred to in chapter 10, section 17 of the Code of Judicial Procedure (4/1734) to appoint a trustee to represent the deceased's estate in the partnership. (143/2009)

A representative of a deceased's estate has the same competence as a partner in the liquidation proceedings of a partnership. Representatives of a deceased's estate other than an estate administrator do not, however, have the right to conclude an agreement on the distribution of a partnership's assets or on any redemption to the deceased's estate.

Section 5

Lapse of the conditions for the partnership relationship

A partner has the right referred to in section 1, subsection 1, paragraph 4 to request that the partnership be dissolved, if another partner essentially breaches his or her obligations based on the partnership relationship or continuously abuses his or her position in the partnership against the interests of the partnership or if the continuation of the partnership's activities is to be deemed unreasonable vis-à-vis the partner taking into account his or her or another partner's state of health, financial position or other similar circumstance or a substantial deterioration of other conditions for the partnership's activities.

Section 6 (1444/2015)

Redemption of a partnership share

The redemption of a partner's partnership share can be specified in the partnership agreement. If there are grounds referred to in section 1, subsection 1 for the dissolution of the partnership relationship with regard to a partner, the other partners may, in addition, unanimously decide to redeem his or her partnership share.

In the case referred to in section 1, subsection 1, paragraph 2 above, any term of the partnership agreement concerning the redemption amount or redemption procedure deviating from the provisions of subsection 3 or 4 of this section may be submitted for registration and decided upon only with the consent of the bankruptcy estate, distraint creditor or compulsory auction buyer.

The same applies to the consent of the deceased's estate in the case referred to in section 1, subsection 1, paragraph 3.

The redemption amount is determined in accordance with the amount receivable by the partner had the partnership's assets had been distributed as provided in chapter 6, section 2. The goodwill of the partnership shall in such a case be considered as an asset of the partnership. In addition, upon request, a security shall be given to cover the risk of the commitments of the partnership affecting the recipient of the redemption to an extent exceeding the amount that would have been likely when distributing the partnership's assets at the time of redemption.

When the redemption decision has been made, the redemption recipient shall verifiably be made a redemption offer, which shall also state the consequences of a failure to respond to the offer. If the redemption recipient fails to notify the offeror within 14 days of the receipt of the offer that he or she is rejecting the offer, he or she is deemed to have accepted the offer. The redemption recipient shall, within the same period of time, require the offeror to give the security referred to in subsection 3 on pain of losing the right to obtain the security. The redemption shall take place and the security shall be given to the redemption recipient within 30 days from the acceptance of the offer or the right of redemption lapses.

The provisions of subsections 3 and 4 apply unless otherwise agreed in the partnership agreement or agreed separately.

Section 7 (1444/2015)
Redemption disputes

If a redemption offer has been rejected, but the offeror of the redemption still wishes to redeem the partnership share, he or she shall, within 30 days from the rejection of the offer, deposit the offered redemption price with the regional state administrative agency of the municipality where the partnership's registered office is located as provided in the Act on the Deposit of Cash, Book Entries, Securities or Instruments in Payment of Debts or for Release from Other Liabilities (281/1931) and, within 60 days from the rejection of the offer, refer the matter concerning the right of redemption to a court to resolve by bringing action against the offeree, or the right of redemption lapses. The court shall, at the offeror's request, establish the right of redemption, the redemption amount and other terms of redemption.

The provisions of this section apply unless otherwise agreed in the partnership agreement or agreed separately.

Section 8 (141/2004)
Bankruptcy of a partnership

If the assets of a general partnership have been surrendered in bankruptcy and there are assets remaining at the end of the bankruptcy proceedings, the liquidation of the partnership shall take place as laid down in this chapter. If there are no assets remaining at the end of the bankruptcy proceedings, the partnership is dissolved once the final settlement of accounts has been accepted in the bankruptcy proceedings.

The estate administrator shall, without delay, notify the dissolution of the partnership to the Legal Register Centre, which will pass the information on to the registration authority for entry into the register.

Section 9
One-person business

A partnership is deemed dissolved if the number of partners has fallen to one and has not risen to at least two within one year.

Provisions on the filing of a notification of dissolution to the Trade Register are laid down in chapter 6, section 5.

Section 10
Liquidators

The partners act as the partnership's liquidators unless otherwise agreed following a request for dissolution or unless otherwise provided below. A person who is without legal capacity or who is bankrupt may not act as a liquidator. A partner whose partnership share has been distrained may act as a liquidator only with the consent of the other partners. A partner may use a representative to represent him or her in the liquidation of the partnership.

The liquidators manage the affairs of the partnership and represent the partnership during the liquidation unless otherwise agreed by the partners. The provisions of chapter 2, section 2, paragraph 3 on the right of a partner to perform an urgent measure shall correspondingly apply to a liquidator.

The provisions of chapter 3, section 1 shall be observed in the division of the power of representation.

Section 11

Liquidator appointed by a court

If the partnership is to go into liquidation, a court shall, upon a partner's application, appoint a liquidator to carry out the liquidation of the partnership. The application may also be filed by another person who has the right to request that the partnership be dissolved, and by a distraint creditor.

More than one liquidator may be appointed when necessary due to the nature or scope of the partnership or other special reason. The court has the authority to divide the management of the partnership among the liquidators and shall at the same time determine the grounds for the division. Subject to the provisions of section 10, subsection 1, a partner may be appointed liquidator.

Upon application, the court may revoke, or make changes to, its decision to appoint a liquidator.

Before deciding on a matter referred to in this section, the court shall grant the opportunity to be heard to those entitled to file an application but not having concurred in it. A decision made by a court under this section shall be complied with immediately notwithstanding any appeal.

Section 12

Interlocutory order

A court, a judge of a circuit court, or a chair of a city court may, upon a partner's application, issue an interlocutory order for the appointment of a liquidator, if the applicant shows probable cause that the appointment of a liquidator is necessary to safeguard his or her rights. The interlocutory order is in force until the court has given its decision on the application or it has been revoked by the court or the issuer of the order. An interlocutory order is not subject to appeal.

Section 13

Liquidator's fee

A liquidator appointed by a court has the right to receive from the partnership's assets a fee deemed reasonable with regard to the nature and scope of the partnership and the amount of work required to perform the task as well as reimbursement of his or her expenses.

The court may, for special reasons, order that the fee and reimbursement are ultimately payable by the person who applied for the appointment of the liquidator or by the partner subject to the grounds for dissolution.

Section 14

Decision to continue activities

The partners may decide to terminate the dissolution and continue the partnership's activities. If only some of the partners wish to continue the activities of the partnership together, they have

the right to redeem the shares of the other partners in the partnership.

The provisions of section 6, subsections 3–5 and section 7 apply to the redemption. (1444/2015)

If the partners do not agree on which of them will continue the partnership's activities, the group of partners with the greatest number of such partners has the right to continue the activities. If such groups are of equal size or if multiple partners wish to continue the partnership's business activities on their own, the priority is decided by the drawing of lots.

Section 15

Liquidation procedure

A liquidator shall apply for a public summons to the creditors of the partnership.

The aim of the liquidation shall be to sell partnership assets so that the business carried on by the partnership can be continued. If this is not possible at a reasonable price, an amount of the partnership's assets required for the liquidation shall be converted into cash as soon as possible. The business activities of the partnership may be continued only to the extent required by the proper liquidation of the partnership and to provide the partnership's employees with a reasonable period of time to seek new employment opportunities.

The known debts of the partnership shall be paid or assets shall be set aside for this purpose before the partnership assets are distributed.

The provisions of this section shall be observed unless otherwise agreed by the partners.

Section 16

Final settlement

If not all of the partners act as liquidators, the liquidators shall, as soon as possible after having completed their tasks, present a final settlement of their administration by drawing up a report of the entire liquidation procedure. The documents relating to the financial statements for the entire liquidation period shall be appended to the report. The report and its appendices shall be given to each partner.

The provisions of chapter 2, sections 12–14 apply correspondingly to the liability of a liquidator for damages

. If a partner wishes to object to the final settlement, he or she shall bring an action against the liquidators within one year from the date on which he or she received the liquidators' report.

Section 17

Post-liquidation

If, after the dissolution of the partnership, new assets appear, an action is brought against the partnership or liquidation measures are otherwise necessary, a liquidator shall notify the partners of the matter upon being informed of it. The provisions of this Act on the liquidation of a partnership apply, as appropriate, to post-liquidation.

Section 18

Notification to the register

A liquidator shall without delay submit notification of a partnership's going into liquidation, termination of liquidation and post-liquidation to the Trade Register.

6 Chapter 6

Distribution of the assets of a general partnership

Section 1

Distribution procedure

After the final settlement referred to in chapter 5, section 16 has been presented to the partners, or the liquidation of the partnership has otherwise ended, the assets of the partnership shall be distributed unless otherwise agreed.

Section 2

Basis of distribution

In the distribution of a partnership's assets, the assets shall primarily be used to return any remaining contributions to the partners. If the assets are not sufficient to meet the full return of the contributions, the assets are distributed on a pro rata basis to the contributions. Any surplus is distributed on the basis of the principles applied to the distribution of the partnership's profits.

If the partnership's assets are not sufficient to meet the repayment of all of the partnership's debts, the deficit is allocated among the partners in accordance with the principles applied to the distribution of loss in the partnership.

The provisions of this section apply unless otherwise agreed in the partnership agreement or separately. If the terms of a partnership agreement deviate from this section, the provisions of chapter 5, section 1, subsection 5 apply when submitting these for registration and when concluding the agreement. (1444/2015)

Section 3

Distributors and distribution deed

The distribution of a partnership's assets is carried out by the partners or by the liquidator, if one has been appointed by a court for the liquidation of the partnership. Where the partners fail to agree on the distribution of the partnership's assets and there is no court-appointed liquidator, a court shall, upon application, appoint a liquidator to carry out the distribution, in which case the provisions of chapter 5 on liquidators shall be observed as appropriate.

Provisions on the right to conclude an agreement on the distribution of the partnership's assets when a partner's partnership share has been distrained, a partner has been declared bankrupt, or a partner has died are laid down in chapter 5, sections 3 and 4.

A court-appointed liquidator shall draw up a distribution deed on a distribution carried out by him or her. A distribution deed shall be drawn up on a distribution carried out by partners, if so requested by a partner.

Section 4

Contesting a distribution

A partner who wishes to contest a distribution carried out by a court-appointed liquidator shall bring an action against the other partners within six months from the date on which he or she was notified of the distribution deed or, within the period of time allowed for objecting to a final settlement referred to in chapter 5, section 16, subsection 2, if more than six months of that period still remain.

Section 5

Notification of dissolution

After a partnership's assets have been distributed or the partnership is otherwise to be deemed dissolved, a partner or a court-appointed liquidator shall without delay submit a notification of dissolution to the Trade Register.

7 Chapter 7

Limited partnerships

Section 1 (1444/2015)

Section 1 was repealed by Act 1444/2015.

Section 2
Applicable provisions

The provisions of chapters 2–6 on general partnerships and their partners also apply to limited partnerships and their partners, unless otherwise provided below.

The provisions of sections 3, 4, 8 and 9 of this chapter apply unless otherwise agreed in the partnership agreement or separately. (1444/2015)

Section 3

Management powers

A silent partner does not have the right to manage the partnership's affairs or the right of veto.

A silent partner engaged as the partnership's managing director has the same management powers as a managing director who is not a partner. A silent partner may resign and be relieved of this office or any other special duty in the same way as a non-partner.

The removal of a general partner from the office of managing director or any other special duty does not require the consent of a silent partner.

Section 4

Distribution of profit and loss

Out of the profit of the partnership, a silent partner receives an amount corresponding to the interest determined in accordance with section 3, subsection 2 of the Interest Act on his or her contribution to the partnership which was paid up at the beginning of the financial period. After that, the remaining profit is distributed among the general partners. If the profit is not sufficient to meet the full payment of the silent partners' shares of the profit, the profit is distributed among them on a pro rata basis to their contributions paid up at the beginning of the financial period.

Any loss made by a limited partnership is distributed among the general partners.

Section 5

Representation of the Company

A silent partner does not, without separate authorisation, have the right to represent the partnership or the competence to receive a summons or other notice addressed to the partnership.

The granting of a procuration does not require the consent of a silent partner.

Section 6

Debt liability of a silent partner

A silent partner satisfies his or her debt liability referred to in chapter 1, section 1 by paying his or her agreed partnership contribution in full to the partnership.

Any amendment to the partnership agreement by which the contribution of a silent partner is reduced has no effect concerning a creditor who, when entering into a legal act with the partnership, did not know of the reduction of the contribution, if the reduction of the contribution had not been entered into the Trade Register and published. (1444/2015)

Section 7

Objecting to the financial statements

In a limited partnership, an action referred to in chapter 2, section 16 is only brought against the general partners and the time limit referred to in subsection 2 of the said section, with regard to a silent partner, starts from the date on which he or she learned of the financial statements.

Section 8

Silent partner and the dissolution of a partnership

The dissolution of a partnership may not be requested due to a silent partner's death or bankruptcy or the distraint of his or her partnership share; instead, the other partners have the right to redeem his or her share. The partnership share shall be redeemed upon the request of the bankruptcy estate, the deceased's estate or a distraint creditor.

The redemption amount shall be the amount receivable by the silent partner, if the partnership's assets had been distributed as provided in section 9.

When a limited partnership has gone into liquidation, a silent partner only acts as a liquidator if so agreed by the partners or if appointed to the task.

When applying the provision of chapter 5, section 14, subsection 2, a silent partner is not taken into account except when the groups of general partners are equal in size.

Section 9

Basis of distribution

In the distribution of a limited partnership's assets, the assets shall primarily be used to return the paid-up contributions of the silent partners. Any remaining assets of the partnership are distributed among the general partners. If the assets are not sufficient to cover the full return of the contributions of the silent partners, the assets are distributed among the silent partners on a pro rata basis to their paid-up contributions.

If the partnership's assets are not sufficient to cover the repayment of all of its debts, the deficit is allocated among the general partners.

8 Chapter 8

Change of business form and merger of partnerships

Section 1

Change from general to limited partnership

A general partnership becomes a limited partnership if a silent partner joins the partnership or if an agreement is concluded to limit the liability of a partner to his or her asset contribution to the partnership.

If a general partner becomes a silent partner, he or she is liable in the same way as a general partner for those obligations of the partnership that were incurred before the publication of the entry of the limitation of his or her liability into the Trade Register. However, as regards obligations incurred after the change, he or she is liable only towards a creditor who was unaware of the change.

Section 2

Change from limited to general partnership

A limited partnership becomes a general partnership if the partnership agreement is amended to the effect that the partnership has no silent partners. If a silent partner in such a case continues as a partner of the general partnership, he or she is liable for the partnership's obligations as provided in chapter 4, section 1, subsection 1.

Section 3

Change into a limited liability company

A general partnership and a limited partnership may be changed into a limited liability company. The decision shall be made in the same order as amendments to the partnership agreement.

Articles of association drawn up in accordance with the Limited Liability Companies Act (624/2006) shall also be adopted in conjunction with the decision to change the business form. (626/2006)

A document shall be drawn up on any decision concerning a change of business form, which shall include or be accompanied by the articles of association and which shall mention all of the shareholders and the shares held by each of them.

The company's financial period shall be mentioned in the document or provisions on the financial period shall be given in the articles of association. The document shall be dated and signed in a general partnership by the partners and in a limited partnership by the general partners. (626/2006)

The provisions of chapter 2, section 6 of the Limited Liability Companies Act apply to the share capital of the limited liability company and the information provided about it in the document. If a general partnership or a limited partnership is changed into a public company, the provisions of chapter 19, section 1, subsection 2 of the Limited Liability Companies Act also apply. (626/2006)

Section 4

Implementation of a decision to change into a limited liability company

When the document referred to in section 3 has been signed, the partners shall conduct an election falling within the competence of the general meeting of shareholders. (626/2006)

In a general partnership the partners and in a limited partnership the general partners shall, together with the board of directors elected for the limited liability company, notify the change of business form to the Trade Register, in which context the provisions concerning notifying a limited liability company to the Trade Register shall be observed as appropriate. The notification shall be made within three months from the signing of the document referred to in section 3 or the change of business form lapses. (626/2006)

The partnership changes into a limited liability company when the change of business form is entered into the Trade Register.

Subsection 4 was repealed by Act 1617/1992.

Section 5

Impact of change into a limited liability company on debt liability

The partners of a general partnership and the general partners of a limited partnership are not discharged from their liability for the partnership's previous debts as a result of the partnership having changed into a limited liability company unless the creditors have consented to it.

If a creditor, who has verifiably received a written notice of the change of the partnership into a limited liability company and of the creditor's right to object to the discharge from debt liability, has not, within three months from the receipt of the notice, notified the limited liability company that he or she objects to the discharge, he or she is deemed to have consented to it.

Section 6

Merger

A general partnership or a limited partnership (merging partnership) may conclude an agreement on a merger into another general partnership or limited partnership (acquiring partnership) in a manner whereby the assets and debts of the merging partnership are transferred to the acquiring partnership without a liquidation procedure.

The agreement shall be accepted by the partners of both partnerships in the order applied to amendments to the partnership agreement of the partnership.

The provisions of subsection 2 also apply if at least two general partnerships or limited partnerships (merging partnerships) merge to form a new general partnership or limited partnership (acquiring partnership) to which their assets and debts are transferred and the partners of the merging partnership become the partners of the acquiring partnership.

If the assets of more than one partnership participating in a merger are subject to an enterprise mortgage referred to in the Enterprise Mortgage Act (634/1984), the merger shall not be

registered unless an agreement between the partnerships and mortgage holders concerning the priority of mortgages is registered on the basis of an application at the same time. (1444/2015)

A partner of a merging general partnership and a general partner of a merging limited partnership shall without delay submit notification of the merger to the Trade Register. The assets and debts of the merging partnership are transferred without a liquidation procedure to the acquiring partnership when the merger has been registered. At the same time, the merging partnership is dissolved, the amendment to the partnership agreement of the acquiring partnership is registered in cases referred to in subsection 1, and the acquiring partnership is formed in cases referred to in subsection 3. (1444/2015)

Section 7

Redemption

If the decision to change a partnership into a limited liability company or a merger decision can be made in a partnership as a majority decision, a partner who has not consented to the change of business form or merger has the right to resign from the partnership and redeem his or her partnership share as provided in chapter 5, section 6, subsection 3. (1444/2015)

A partner requesting redemption shall make the redemption request within three months from the date on which he or she learned of the decision concerning the change of business form or merger.

The limited liability company or the acquiring partnership is responsible for carrying out the redemption. Regardless of the change of business form, the partners of a general partnership and the general partners of a limited partnership that has undergone a change of business form are personally responsible for carrying out the redemption.

Chapter 9

Financial statements

Section 1 (298/1998)

Obligation to prepare financial statements

Financial statements shall be prepared in accordance with the provisions of the Accounting Act (1336/1997) and this Act.

Section 2

Preparation of financial statements

Subsections 1–2 were repealed by Act 298/1998.

Financial statements shall be submitted to the auditors within four months from the end of the financial period. (298/1998)

Section 3

Contents of financial statements

If the balance sheet of a general partnership includes receivables from, or payables to, partners, or the balance sheet of a limited partnership includes receivables from, or payables to, general partners, the total amounts of these shall be stated separately in the balance sheet or in the notes accompanying it. Any total amounts of pledges and other security given or commitments made on their behalf shall also be stated in the balance sheet or in the notes accompanying it.

The balance sheet, or the notes accompanying it, shall state the total amount of the partners' partnership contributions agreed upon in the partnership agreement, as well as the amount of contributions paid up to the partnership and remaining at the end of the financial period. In addition, corresponding information shall be provided concerning the partnership contributions of each partner of a general partnership and the general partners of a limited partnership.

Subsection 3 was repealed by Act 298/1998.

Section 4 (298/1998)

Publication of financial statements

Provisions on the registration and publication of financial statements and the obligation to provide copies are laid down in the Accounting Act.

Section 5

Instructions and statements

The Accounting Board may in the manner laid down in the Accounting Act give instructions and statements concerning the application of the provisions of this chapter.

Chapter 10

Financial audit

Section 1 (940/1994)

Scope of application

The provisions of this chapter and the Auditing Act apply to the financial audits of a general partnership and a limited partnership.

Provisions on the obligation to have an audit carried out are laid down in chapter 2 of the Auditing Act. Provisions on the obligation to appoint a deputy auditor are laid down in chapter 2, section 3 of the Auditing Act. The partners participating in the appointment of the auditor may, in addition, appoint one or more deputy auditor. (1207/2015)

Section 2 (940/1994)

Section 2 was repealed by Act 940/1994.

Section 3

Appointment and term of office of the auditor

The auditor is appointed by the partners in a general partnership and by the general partners in a limited partnership by a unanimous decision unless otherwise agreed.

An auditor shall be appointed separately for each financial period unless the auditor's term of office is specified in the partnership agreement. The auditor's appointment ends when he or she has issued the audit report for the last financial period included in his or her term of office or, if he or she has been appointed for an indefinite period, when a new auditor has been appointed to replace him or her.

The partners participating in the appointment of an auditor may dismiss the auditor by a unanimous decision. (940/1994)

Subsection 4 was repealed by Act 940/1994.

Sections 4–7

Sections 4–7 were repealed by Act 940/1994.

Section 8 (940/1994)

Audit report

Notwithstanding the provisions of the Auditing Act, the auditor shall issue an audit report to the partnership for each financial period within five months from the end of the financial period.

Section 9 (940/1994)

Section 9 was repealed by Act 940/1994.

Section 10 (626/2016)

Liability for damages

Provisions on the auditor's liability for damages are laid down in chapter 10, section 9 of the Auditing Act. Provisions on the right of a partner to bring action for damages are laid down in chapter 2, section 13 of this Act and on the limitation of actions in chapter 2, section 14 of this Act.

Chapter 11

Transitional provisions and entry into force

Section 1

Entry into force

This Act enters into force on 1 January 1989.

This Act repeals chapter 15 of the Commercial Code (3/1734), the Decree of 24 November 1864 on Limited Partnerships and the Act on Change of Limited Partnerships into Limited Liability Companies (203/1952) as amended.

Section 2

Transitional provisions

The provisions of chapter 5, section 2, paragraph 3 apply to partnership agreements concluded before the entry into force of this Act only when ten years have elapsed from the entry into force of this Act.

The provisions of chapter 2, sections 14 and 16 do not apply if the action concerns a decision or measure taken during a financial period that began before the entry into force of this Act or financial statements prepared for that financial period.

The provisions of chapters 9 and 10 of this Act do not apply to a financial period that began before the entry into force of this Act, nor to financial statements prepared for that period.