# Limited Partnership

## What is a limited partnership?

A limited partnership consists of at least one limited partner (Kommanditist) and one general partner (Komplementär). These different partners have different tasks, rights and duties. The liability of the limited partner is restricted to the amount of his capital contribution. The general partner is unlimited liable with his private property and direct. If there is more than one general partner then they all have joint and several liabilities (solidarische Haftung).



## Rights and duties of the partners

Only the general partners represent the partnership to the outside world and makes business decisions. The limited partners have only the rights of supervision and can inspect the books and records. A limited partner can have more right when these rights are contractually stipulated. The limited partner have no rights of objection (Widerspruchsrecht) and no voice (Mitspracherecht) in common business deals but uncommon business deals needs the agreement of all partners.

A partner can invest financially but can also invest with patents, licences, brands or know-how.

## Foundation of a partnership

To found a limited partnership a partnership agreement (Gesellschaftsvertrag) has to be concluded and the partnership is inscribed in the commercial register. The law does not predefine a form of the partnership agreement. Also the partnership agreements are sometimes concluded in writings. The partnership agreement holds all regulations, the contributions and rights of all partners, the profit share and so on. The contract is very important and should be clearly and precisely formulated. For the inscription in the commercial register all signature have to be notarially or legally certified and the fee of 36€ + 83€ have to be payed.

The name of the firm should contain the addition KG or Kommanditgesellschaft. In the case of a name firm (Namensfirma) only the name of a general partner can be used.

## Reasons to form a limited partnership

Limited partner have the advantage to safely invest and have a limited liability. Also employees can invest and get a limited partner. These employees are then more tightly tied to the firm and are so more motivated. But the employees share also the profit.

## Termination of a partnership

The partnership can be terminated if the time for it is over, all partner decide it, the partnership or a partner gets in insolvency, the general partner dies, a partner abrogates (kündigen) or if there is a good legal reason. In the case of the dead of a general partner the partnership will be immediately terminated if the other partners don’t decide to continue or if the partnership agreement has no regulations for this case.

## Social insurance and tax

The GSVG (Gewerblichen Sozialversicherungsgesetz) specifies that all general partners need a compulsory insurance (Pflichtversicherung). Limited partner with low involvement in the partnership can be insured as employee after the ASVG (Allgemeines SVG) and partner with a high activity and influence have to be insured like the general partners.

The limited partnership is not a stand-alone taxable entity but the partners are. This means that the partners are important for the income tax. The partnership and all partners need a distinct tax number.