

Amending law on partnerships limited by shares

June 1, 2016

Law 144(I)/2015, which came into force last year, amended Cyprus partnership law (Cap. 116) by introducing partnerships limited by shares.

A partnership limited by shares is, in essence, a hybrid between a limited liability company and a partnership, whereby the partnerships' capital is provided by the partners. The partnership will, therefore, consist of one or more managing partners, who may manage the company and are jointly/severally liable for the partnership and its debts and obligations, and one or more limited partners, who will bear liability for the partnership only in relation to the amount they have invested in it, and who will not be able to manage the partnership itself.

Although Cyprus has now recognised partnerships limited by shares by virtue of Law 144(I)/2015, bringing its legislation in line with that of other European countries, such as Luxembourg and Poland, it should be noted that such partnerships are not recognised as separate legal entities, and thus have no legal personality, in contrast to companies limited by shares, which are recognised as legal entities upon incorporation. As such, the partnership itself will not be subject to taxation; instead, the partners themselves will be taxed for the partnership's profits, thus further promoting Cyprus' widely-recognised reputation as a tax-efficient jurisdiction for investments and corporate transactions.

The amending legislation has also increased the maximum number of partners of any partnership from 20 to 100. Furthermore, this amendment has also resulted in the recognition of the authorisation of Alternative Investment Funds (AIFs) as partnerships limited by shares under Cyprus law.

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