Starting a partnership

Being in a partnership means that you and at least one other person share ownership of a business, its resources and each other’s skills. In return, each partner shares the business profits and losses.

If you want to start a partnership or you’ve already done it but aren’t sure what else is involved, here’s where you can find tips and information to help.

Before you start

Partnerships are businesses most common in certain professions, eg law, accountancy and farming. They’re relatively easy to start and can be established with a partnership agreement between the partners.

Use our Choose Business Structure tool to help you decide if a partnership is the right structure for you.

Choose your business structure

Is a partnership the best structure for your business? Use our Choose Business Structure tool to check that it’s right for your business’s needs. Just three quick questions and you’re on your way.

Choose your business structure, Get started (/choose-business-structure/)

What you need to do

You need to tell Inland Revenue if you’ve become a partnership. Partnerships must have an IRD number for paying the business’ income tax and GST. A partnership and its partners pay tax differently. Each partner pays tax on their income using their own individual IRD numbers.

You will need to register the partnership for GST if your turnover will be more than $60,000 a year.

You can also get a New Zealand Business Number (NZBN), a unique identifier, which any business in New Zealand can now have. Using it will speed up your interactions with government, suppliers and customers and other businesses.

Before you start, make sure you have a clear idea of why you’re starting a partnership. Use our tips and tools to test your idea for the business and see if it’s the right decision for you.

Ownership

Partners usually have an equal share in a partnership, unless their partnership agreement states otherwise.

Questions to ask yourself before you start (/getting-started/taking-the-first-steps/questions-to-ask-yourself-before-you-start/)

10-step guide to starting a business (/getting-started/taking-the-first-steps/10-step-guide-to-starting-a-business/)

Partnership agreements

Like any relationship, partnerships can have their stresses and strains. Entering a partnership legally binds you to your other partners. It’s a good idea to have a partnership agreement — though you don’t have to — as it makes sense to set out the rules all partners will agree to follow for the business.

Things to put in a partnership agreement include:

- how much each partner puts into the business
• what property is included in the business, eg intellectual property, client lists, premises
• how partners will get their income
• what each partner will do day-to-day
• how you’ll resolve disputes
• what happens if a partner dies or wants to leave
• how you could sell the business.

Partnership agreements can be complicated documents, so you should think about getting a lawyer to help you.

**Intellectual property**

It’s never too early to think about intellectual property (IP), which includes your logos, trade marks and inventions. When you protect IP you’re safeguarding the time, money and effort you put into a business. IP will be important throughout your business’ lifespan. So make sure you understand what it is and why it’s important.

[Why IP is important](/risks-and-operations/intellectual-property-protection/why-intellectual-property-is-important/)

[Simple steps to protect your IP](/risks-and-operations/intellectual-property-protection/simple-steps-to-protect-your-intellectual-property/)

**Staff**

You may start with just partners working in the business. But you’ll probably want to hire people once your business begins to grow. You can hire staff, but you must be registered as an employer with Inland Revenue.

A business with staff has obligations to government, eg handling ACC and tax, and to its employees, eg health and safety and legal employment agreements. This website has tips, tools and information to help you with every step of being an employer.

[Becoming an employer](/hiring-and-managing/deciding-to-hire/becoming-an-employer/)

[Registering with government agencies](/getting-started/taking-the-first-steps/registering-with-government-agencies/)

**Anti-money laundering rules**

You might need to meet new rules to detect and prevent money laundering and the financing of terrorism if you’ll be doing one or more of these tasks:

• managing money or assets for clients
• providing trust or company services
• selling real estate
• providing conveyancing services
• handling large amounts of cash.

These rules affect the records you need to keep and how you must ID customers.

[Law change: Anti-money laundering](/news/anti-money-laundering-law-change/)

**Don’t be surprised if your accountant or lawyer asks to check your ID.**

It’s to comply with new anti-money laundering rules.

**Understanding your finances**

There’s a lot to get your head around and keep track of with your partnership’s finances. If you’re not confident about looking after your books, think about getting online accounting software and/or a bookkeeper or accountant to help, ideally before you start.

Partners share all the business’ profits and losses, responsibilities and debts according to their partnership agreement.

**Tax**

A general partnership doesn’t pay income tax, it distributes the partnership’s income to the partners who pay tax under their own IRD numbers.

Each partner pays tax according to how much of the partnership they own — their shareholding. The bigger the shareholding, the more income they’ll get and pay tax on.

A partnership must have its own IRD number, and file its own tax return (IR7) every year.

Partners can take a salary or an hourly wage and have PAYE deducted from their pay like an employee — if this is stated in the partnership agreement. If PAYE is deducted from the partner’s salary or wage, they can claim the PAYE as an expense in their tax return.
General partnerships — rather than individual partners — claim any expenses the business incurs. Test your knowledge of expenses you can and can’t claim by taking our quiz.

**Tax and partnerships** (https://www.ird.govt.nz/roles/partnerships) — Inland Revenue

**PAYE** (/tax-and-accounting/tax-when-you-have-employees/paye/)

**Claiming expenses** (/tax-and-accounting/reducing-your-tax/claiming-expenses/)

**Quiz: Claiming expenses** (/tax-and-accounting/reducing-your-tax/claiming-expenses/#e7720)

**Keeping records**

You must keep accurate and complete work records for at least seven years. Include banking information, proof of your income — including cash income — expenses and cashbooks.

Each partner can draw funds from business profits, as they need them for personal use, just like a sole trader. But make sure you keep a record of money taken from any work accounts for your living expenses. In your partnership agreement, you might decide to restrict how partners can withdraw funds.

**Your first year in business** (https://www.ird.govt.nz/income-tax/provisional-tax) — Inland Revenue

**Keeping tax records** (/tax-and-accounting/tax-time-tips/keeping-tax-records/)

**ACC**

When you start a partnership, each partner automatically gets ACC personal injury cover from day one. You don’t need to pay for this until after you submit your first tax return. What you pay will be based on your role in the partnership, so each partner might pay a different levy, depending on their activity, e.g. one partner is a farmer and the other partner does the books.

**ACC if you’re in a partnership** (https://www.acc.co.nz/for-business/paying-levies/) — ACC

**ACC levies** (/tax-and-accounting/basic-tax-types/acc-levies/)

**A partnership can have sleeping partners who invest in the business, but don’t have a say in its day-to-day running.**

**Limited partnerships**

This is a type of partnership that shares similarities with both general partnerships and companies. A limited partnership has limited partners, who are responsible for debts up to the amount they've invested in it.

You can find out more about limited partnerships on the Companies Office website.

**Registering a limited partnership** (https://www.companiesoffice.govt.nz/all-registers/limited-partnerships/registering-a-limited-partnership/) — Companies Office

**Other business structures** (/getting-started/choosing-the-right-business-structure/other-business-structures/)

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What is reasonably 'practicable'

(risks-and-operations/health-and-safety/what-is-reasonably-practicable/)

There is a lot of misinformation and confusion about what reasonably practicable means.

(risks-and-operations/health-and-safety/what-is-reasonably-practicable/)

Find out what you need to do

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