Partnerships 2020

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Getting The Deal Through

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Lexology Getting The Deal Through is delighted to publish the second edition of *Partnerships*, which is available in print and online at www.lexology.com/gtdt.

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Tina Williams and Daniel Sutherland of Fox Williams LLP, for their continued assistance with this volume.

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Getting The Deal Through

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Philippe Derouin
Philippe Derouin

TYPES AND FORMATION OF PARTNERSHIPS

Sources of partnership law

1 What is the statutory basis for partnerships, and partnership-like structures in your jurisdiction? To what extent do these laws overlap or share features with company law?

There is no general definition of a partnership under French law. However, article 1832 of the French Civil Code contains a general definition of a société or company, which includes most partnerships:

> *A partnership or company is created by two or several persons who agree by contract to appropriate property or their industry for a common business with a view to sharing the profit, or benefiting from the saving which may result therefrom . . . The partners bind themselves to contribute to the losses.*

Most partnerships and partnership-like structures are bodies corporate, defined by a specific statutory provision. Most of them must be, and generally are, registered as such with the Trade and Companies Register (RCS) available via www.infogreffe.com.

French tax law does not provide for a statutory definition of a partnership or partnership-like structure, but rather a list of French entities treated as partnerships for income or corporation tax purposes (articles 8 and 206 of the French General Tax Code). In most situations where the entity is treated as a partnership, the partners have unlimited liability and are personally liable for income or corporation tax on their share of the income or profits of the partnership as if they had generated it themselves, although the partnership is deemed a different entity.

Types of partnerships

2 Identify the types of partnerships or other partnership-like structures permitted in your jurisdiction. What are they typically used for?

In order of economic significance, the most important types of partnerships or partnership-like structures are the following.

Civil partnership

The civil partnership is the basic and generic form of partnership under the French Civil Code, provided it carries out no trading activity other than property development. Civil partnerships are commonly used in real estate investments, professional activities, asset holdings, etc.

General partnership

The general partnership is the basic form of trading partnership under the French Commercial Code.

Silent partnership

The silent partnership (SP) is an unregistered general partnership loosely regulated in the Civil Code. Well-known examples of SPs include financial syndicates, joint enterprises in the construction business or in theatre activities. In the international context, an SP existed between the two concessionaire companies of the Channel Tunnel and was referred to in an earlier version of the France-UK double taxation agreement. An SP is treated as a partnership for income tax purposes provided the partners' names and addresses are disclosed to the tax administration; otherwise a SP is liable to corporation tax.

De facto partnership

The de facto partnership is where the essential elements of a partnership are combined without the parties expressing the intention to create a partnership.

Limited partnership

Limited partnerships (SCSs) have two types of partners: general partners, who are indefinitely, jointly and severally liable for the debts of the company; and limited partners, whose liability is limited to their contributions.

Unless the articles of association provide otherwise, all general partners are managers of the company. However, the articles of association may provide for the SCS to be managed by one or more managers appointed among general partners or third parties. The limited partners must not interfere with the management of the entity.

Limited partnerships have a split-tax status for French tax purposes: general partners are treated as if they were partners in a general partnership but the profits attributable to the limited partners are liable to corporation tax and further liable to dividend taxation upon distribution. Accordingly, SCSs are much less common in France than in other jurisdictions.

Other forms of partnerships

Other forms of partnerships include certain limited liability entities and certain groupings, such as economic interest groupings (GIEs), European economic interest groupings (EEIGs), public interest groupings and certain agricultural groupings. Airbus Industries was originally created as a GIE and remained so for many years before being converted into a corporation (SA). Economic interest groupings were also commonly used in asset financing structures and nicknamed 'GIE fiscaux' until the European Commission criticised the embedded state aid and French tax law was changed to reduce certain tax breaks.

Although a single shareholder entity would not be a partnership some of them (EURL and EARL, both single person businesses with limited liability) could be treated like a partnership for tax purposes. Further, certain companies or corporations may elect to be treated as partnerships for tax purposes, such as:

- certain forms of joint ownership, excluding 'indivision';
- the French equivalent of LLPs for lawyers, the AARPI, a hybrid institution that is not a legal person and is not registered with the RCS but that enjoys certain capabilities of a legal person);
- limited liability companies (SARLs) or companies where the members are exclusively close relatives; and
- certain newly created SAs, joint-stock companies (SASs) or SARLs with mainly individual partners, to enable them to deduct start-up losses from their taxable income.

An investment vehicle akin to a limited partnership, the *société de libre partenariat* (SLP) was introduced in 2015. It is organised as an SCS with special characteristics: articles of association may be drafted in English and part of them may be available to the public via the RCS. Generally regarded as an alternative investment fund (AIF), an SLP must be declared to the French Financial Markets Regulator. Like certain other investment funds, the SLP is tax-exempt in France and both its general and limited partners may be taxable upon distribution only. The trade-off is that access to double taxation treaty benefits in cross-border transactions is uncertain.

With the exception of de facto partnerships, partners in the above forms of partnerships generally enter into a partnership agreement, which may be either very simple or more sophisticated. The key document for French partnerships and companies is their articles of association, which address the powers granted to the managers; the duration; the sharing of profits; and a system for dispute resolution. Statutes must be filed with the RCS and are generally accessible to the public, together with the names and addresses of the partners.

Organisation and operation of these entities is fairly simple. There are no legal requirements as to a minimum level of capital. A partnership may have a single manager and no board of directors. Collective decisions of the partners may be reached without gathering a general meeting, etc. These partnership or partnership-like structures are mainly used as follows:

- a *société civile* is generally chosen as a vehicle for joint ventures in non-commercial activities and real estate activities (investment, portfolio management, certain professional activities, etc). Most of the tax treaty cases reported below relate to the taxation of foreign partners in French sociétés civiles immobilières (ie, civil partnerships investing in real estate);
- a s*ociété en nom collectif* is chosen for trading activities when there is a limited number of partners who accept the joint and several liability and want to benefit from the half-tax transparency without meeting the conditions for tax consolidation;
- an SP is mostly used when one or several partners do not want to publicly disclose either their participation in, or the organisation and governance of, the joint venture;
- a de facto partnership is not generally intended to be a partnership but effectively displays the essential elements of a partnership; and
- GIEs may only develop the activities of its members; members of EEIGs must be entities of a EU jurisdiction but can include European subsidiaries from a non-European group.

Differences between types of partnership

3 What are the key differences between the various types of partnerships (and similar entities) available in the jurisdiction? Are partnerships treated as bodies of persons or bodies corporate?

Excluding SPs and de facto partnerships, which are not legal entities, and the Association of Individual Professional Liability Lawyers (AARPI), which is a hybrid institution, all the entities listed under 'Types of partnerships' must be registered with the RCS, and consequently enjoy full legal capacity. All registered partnership or partnership-like structures are treated as bodies corporate.

In most French partnerships or partnership-like structures, partners or members have unlimited liability for partnership debts. In the société civile, this unlimited liability is not joint and several but equals pro rata each partner's contribution to capital. On the contrary, in the *société en nom collectif*, SP and de facto partnerships with a trading activity, partners are jointly and severally liable as well as members of GIEs, EEIGs, etc.

As mentioned above, in French-style limited partnerships, general partners have unlimited liability while limited partners have limited liability. The share of profits allocated to limited partners is liable to French corporation tax when realised and distribution taxes apply upon effective distribution.

Reasons for choosing a partnership structure

4 What are the typical reasons that businesses choose to operate through a partnership structure in your jurisdiction? Do any factors discourage adopting a partnership structure?

Advantages

French income tax is a major reason businesses and individuals choose to operate through partnerships rather than corporations or other entities liable for corporation tax. In a partnership structure, partners may deduct their share of partnership losses from their own other taxable income; there is no economic double taxation of partnership profits upon distribution to the partners; upon redemption or transfer of partnership interest, the gain or loss is deemed to apply to the share or interest in the partnership (as opposed to a portion of the partnership's assets) and often taxed at a lower rate than a sale of the underlying assets, the taxable base is adjusted in relation to retained profits or unrelieved losses of the partnership to avoid both double taxation of gains and double deduction of losses. The situation is more complex in cross-border circumstances but similar results may be obtained, at least on the French side.

Simpler organisation, absence of capital requirement, dispense of statutory auditors or public filing of financial statements may also be considered, although certain facilities have been reduced while, coincidentally, corporate structures such as the SAS now provide similar features.

Disadvantages

The main disadvantages of partnership structures are the following.

- Except for the shareholders of an SARL, SA or SAS, which may elect for partnership treatment for tax purposes only, partners have unlimited liability for partnership debts. In the *société civile*, this unlimited liability is not joint and several but equals the 'prorata' of each partner's contribution to capital. On the contrary, in the société en nom collectif, SP and de facto partnerships with a commercial activity, as well as in GIEs, EEIGs, etc, partners are jointly and severally liable.
- Transfers of shares normally require the prior consent of all partners.

Except in an SA or SAS, where stamp duty is fixed, transfers of shares or interest in a partnership are subject to a 3 per cent registration duty on the part of the sale price or value that exceeds an amount equal to €23,000 multiplied by the percentage of the share capital transferred. As an exception, registration tax is due at the rate of 5 per cent, uncapped and without any rebate, when the transferred shares or interest are in an unlisted real estate company or partnership. The 5 per cent duty is also applied on a broader basis, as it is assessed on the value of the assets under the sole deduction of the debts having financed the acquisition of the real estate property.

Formation (formalities and bars to formation)

5 | How are partnerships and the similar structures available in your jurisdiction formed?

Under French law, any partnership must have a registered office in France, corresponding to actual premises available for the effective management of its business. Neither a private letter box nor PO address would be satisfactory, but the personal residence of a partnership officer, demonstrated by property or lease title, utilities bills or other relevant documents, would meet the test. A location in a business centre where an office would be available part-time and other services would be permanently provided is also accepted.

Any manager of the partnership must hold a residence permit with the permission to carry out a business in France, unless he or she is a French national, or a citizen from an EEA country or Switzerland.

Certain activities (approximately 105) are regulated and require a special declaration or authorisation.

The partnership agreement or articles of association must be written and signed by each partner and a copy must be registered with the relevant tax office, which also serves to establish their date. In the absence of a written agreement, a de facto partnership would be deemed to exist.

Certain formalities are further required; they are similar to those applicable to the formation of a company or corporation, namely publication of an insertion in an official newspaper for legal announcements, filing a formal request for registration with a centre for business formalities. France operates point-of-single-contact websites such as Guichet-entreprises.fr (available in English). See also Legal Guide: Doing Business in France, available online at www.businessfrance.fr.

REGULATION

Taxation

6 | How are partnerships taxed?

Like many other tax systems, although to a different extent, the French tax regime of partnership combines a look-through approach and a certain entity approach of the partnership.

French partnerships are not liable to either income tax or corporation tax on their income that is allocated to their partners, who in turn include their share of partnership profit in their taxable income. Losses made by a partnership may be deducted by the partners from their taxable income. Profits from a partnership may be sheltered by each partner's losses. In a chain of partnerships, there is no limitation to the number of partnerships through which taxable income (or deduction) would flow to the first taxable person. In the author's opinion, French partnerships are similar to many look-through entities in other jurisdictions and should not be regarded as a tax subject for income taxation.

However, French tax authorities and courts constantly state as principles that entities governed by article 8 of the French General Tax Code have a legal or tax personality distinct from that of their members and they carry out – or are deemed to carry out – their own activities; although, in many situations, partnerships are a means to carry out a business or profession in common or to pool the results of their members' activities. From these principles or assumptions it is sometimes assumed that such entities are tax subjects.

In practice, both propositions are combined as follows.

Determination of partnership income

Transactions between the entity and any of its members are recognised and taxed as such. When a member contributes an asset (in exchange for an interest in the partnership), or sells a good or performs a service to the partnership for a price or another consideration, a gain, profit or loss is recognised and included in the individual taxable basis of the relevant partner. Conversely, the price paid or owed by the partnership to its partner in consideration for the asset, good or service provided by him or her is deductible (or amortisable) from the partnership's income.

It is not uncommon for partners in a French partnership to lend money or lease an asset to the partnership. Interests on the loan or lease payments are recognised for tax purposes; they are not deemed a supplementary allocation of partnership income. The only major exceptions relate to employment income of an individual partner (which is not deductible) or his or her spouse or tax-recognised companion (which is deductible only up to a very low amount).

Similarly, where the partnership transfers an asset or delivers a service to a partner, the price or fair market value, whichever is higher, is an element of the partnership income and could be deductible expense for the acquiring partner.

Taxation partners

Partners' shares in profit and losses of partnerships are aggregated into their net taxable income. Net losses of each partner may be brought forward or carried back, including where they derive from various partnerships.

Where a partnership is the vehicle under which individual partners or some of them carry on their business or profession, their interest in the partnership is a professional asset, Accordingly, the acquisition costs of such interest, and the cost of acquisition financing, incurred by each individual partner are deductible from the professional partner's income (ie, his or her share of partnership income even though those costs are not borne by the partnership or shared with the other partners). A similar solution applies to certain professional expenses, such as partners' social security contributions and other costs, borne by each partner instead of being mutualised among the partners while being recorded as professional expenses of the partnership. All these costs and expenses are reported in the partnership's tax return with the allocation of net income of the partnership to each partner.

Each individual or corporate partner reports its net share of partnership income as a single amount in its own income or corporation tax returns and does not file a special tax return for its share of profits in the partnership.

Accounting and tax obligations: audit procedures

Accounting and tax filing obligations bear on the partnership. As a result, it was held that a reserve for litigation risk must be booked and reported by the partnership in order to enable the partners to deduct their portion of reserve from their taxable basis and a reserve booked by a taxable partner only would be disallowed.

A French partnership does not file a single tax return but as many tax returns as it has different tax categories of partners, namely:

- individual resident persons;
- corporations or other entities liable to corporation tax in France (even if only on their share of partnership income);
- non-resident partners (occasionally with a further distinction between non-resident individuals and non-resident entities); and
- tax-exempt institutions.

Generally, each partner must also file a tax return reporting his or her (or its) share of partnership income as part of his or her (or its) overall taxable income. As a result, non-resident partners in a French partnership carrying out activities in France must file the usual income or corporation tax returns in France, even where such returns report a single entry, namely the share in the partnership's income that year.

The tax audit procedure is carried out with the partnership (article L 53 of the tax procedure code) and is an integral part of the tax procedure that ends with the taxation of each partner. The partnership's

manager has the power to answer questions and to discuss reassessments notified to the partnership, but it has no power to challenge them; partners only are entitled to challenge their own ensuing taxation.

Accordingly, even in compliance and procedural matters, the tax personality of French partnerships is more uncertain that it would have seemed.

Gains or losses made upon the disposal of a partnership interest

Pointing towards the personality of the partnership, French tax law does not treat a partnership interest as a share in the assets and liabilities of the partnership but rather as an element of intangible property like any other share in a company or corporation.

However, because the partners include their share of partnership profits in their taxable income, irrespective of whether these profits are distributed, French tax courts have consistently held that the tax basis for the partnership interest must be adjusted by an amount equal to the net sum of undistributed profits and uncovered losses of the partnership attributed to the partner. In effect, this solution may result in a tax-free step-up in basis where a property is acquired through the acquisition of shares or interest in a partnership hold such property.

French courts also hold that no depreciation of a partner's interest in, or debt on, a partnership may be deducted for French income tax purposes, at least to the extent that depreciation corresponds to past or future losses of the partnership.

Here again, we find a combination of the look-through approach and the distinct personality of the partnership.

Tax exemptions in a partnership context

Exemptions generally apply on a flow-through basis. Partners may enjoy personal exemptions on the sale of real estate by a partnership. They may also enjoy exemptions that apply to the activity carried on by the partnership. The only notable exception related to the exemption of agricultural cooperatives that was denied on their share of profits in an economic interest grouping (GIE) but, as a result of a legislative change, it is the author's view that this solution may have been superseded.

Strangely enough, the major exemptions where the flow-through approach of partnerships is denied relate to intra-group financial flows and result in two situations of economic double taxation, even in a domestic context: (1) the dividend-received deduction has traditionally been denied with respect to qualifying shareholdings held by a French corporation through a partnership being either a French GIE or a foreign partnership; and (2) thin-capitalisation rules apply to partnerships with corporate partners who are also partnership lenders (ie, interests are taxed to the corporate partner or lender, while interest deduction may be denied or delayed in the partnership).

Partnerships as paying agents on passive income

As far as passive income is concerned, the French system is more straightforward. For both purposes of the EU Savings Directive and reporting and withholding under French domestic law, partnerships are mere paying agents. As a result, they are deemed to pay to their partners the interest, dividend, capital gains on real estate and other passive income at the same time they receive them. Where a partnership only owns a portfolio of securities or receivables, it is not required to file any income tax return and may file only paying-agent statements.

Taxation of foreign partners in French partnerships

French-source income

Foreign partners – such as domestic partners – are liable to income or corporation tax on their income, including their share of income or profit in the partnership as if they would have realised it themselves.

Business profits attributable to the activity of the partnership in France are taxable at standard income and corporation tax rates. The 'branch tax' should not apply to foreign corporate partners. Where a reduced rate applies to long-term capital gains – or royalties from patent and agricultural specialty – it applies equally to both domestic and foreign partners. Net losses arising from the operations of French partnerships may be brought forward or carried back by foreign corporate partners under the same rules as apply to French corporations.

Dividend, interest, real estate income and capital gains, and other passive income from French sources, are taxed by way of withholding tax where applicable, to foreign partners in the same manners and at the same rates as if they would have been realised directly by them. No withholding tax applies on interest or portfolio capital gains under French domestic law (except at the deterring rate of 75 per cent where paid to a blacklisted non-cooperative state or territory).

Foreign tax-exempt partners should benefit from the same exemptions as would apply to similar French tax-exempt partners.

Third-country source income (triangular situations)

Subject to (undefined and accordingly uncertain) abusive situations, business profits from foreign sources should not be taxable to foreign partners even though they would be realised through a French partnership. Where corporate partners are involved, this is a result of the French territorial scope of corporation tax, even towards domestic corporate partners. There is no law on the same point for foreign individual partners, but the practice seems well established with multinational partnerships organised under French law that have their main office in France, and other offices and partners in various other jurisdictions. French resident partners are liable to income tax on their share of worldwide income of the partnership. Non-resident partners are liable to income tax in France on the partnership business or professional income from French sources only.

The only controversial point relates to the taxation of foreign partners' shares in the passive income from foreign sources flowing through a French partnership. Normally, no French taxation should apply provided the foreign partner does not hold his or her partnership interest through a permanent establishment in France. The French partnership would not normally be deemed a permanent establishment of the foreign partner and would merely be a paying agent.

The current legislative and regulatory environment would segregate passive income flowing through a partnership from business income of the partnership. A foreign partner should have no tax exposure in France on passive income from foreign sources of a French partnership, except where the perception of passive income results from carrying out a business through a permanent establishment in France of the partnership, in which case the business profit allocation rule should apply.

Reporting and transparency requirements

7 To what extent must partnerships, LLPs and similar structures file accounts and other documents and information with a government agency?

As mentioned above, the articles of association or partnership agreement, and the names and addresses of each officer and each partner with unlimited liability, are filed with the Trade and Companies Register (RCS) and available to the public.

Subject to certain thresholds, accounts must be audited by independent statutory auditors, and also filed with the RCS and available to the public.

Ownership and membership

8 Can anyone be a partner, and, if not, who can and cannot? Can bodies corporate or other partnerships own a partnership?

Except for certain incapacities and subject to specific restrictions applicable to certain partnership-like structures, most individuals, corporate bodies and other partnerships may be a partner or a member in a partnership. In regulated professions, a certain proportion of, if not all, the partners must qualify for carrying on the professional activity in France.

Legal entities may be the manager of a partnership and must be represented in this capacity by one or several individual persons that would qualify acting as the manager of a partnership.

Execution of documents

9 How do partnerships and LLPs execute documents? Must all partners sign? Can the partnership or LLP sign in its own name?

Managers are entitled under French law to act on behalf of the partnership, including the Association of Individual Professional Liability Lawyers, the French equivalent of an LLP, and the signature of the qualified managers on a legal document would be sufficient to bind the partnership and its members.

BENEFITS, EMPLOYMENT RIGHTS AND PARTNERS' DUTIES

Remuneration and benefits

10 To what extent are partners free to agree how to share profits and what are the most common types of profit-sharing arrangements?

Under French law, partners are mostly free to agree how to share profits and losses. The only substantial restriction is the prohibition of 'lion's share' clauses, whereby a partner would either receive all the profit or would be relieved from any contribution to the losses, or where a partner either would be entirely excluded from the profits or would bear the full amount of losses. Such clauses would be disregarded and deemed unwritten.

In professional services firms, many forms of partners compensation or profit sharing exist, including but not limited to lockstep, eat-what-you-kill and hybrid systems.

Retirement benefits are not uncommon, especially to the benefit of founding partners. Some of them are financed by insurance contracts or similar arrangements, some are not financed.

Employment rights

11 To what extent are partners considered employees? Do they benefit from statutory employment rights?

Any partner may be an employee of the partnership provided there is a relationship of subordination, ie, where the employee works under the direction and control of a partnership officer. However, this was recently denied by the Paris court of appeal in the context of a partner in an English LLP. The relationship of subordination should be excluded in effect, where a partner is also a managing partner.

Where a partner is also an employee of the partnership, his or her statutory employment rights should apply.

Partners' duties

12 Is there a statutory or common law concept of good faith among partners, and what are its implications? What are typical contractual duties between partners or owed by partners to their firms?

In the absence of a special clause in the partnership agreement, no duty of loyalty would either prevent a partner from carrying out an activity in competition with the partnership or require any specific disclosure to the partnership or its management. However, the partner must refrain from unfair competition.

The situation of managing partners is different since French courts consider they have a duty of loyalty, and an obligation to disclose any relevant facts, towards both the partnership and the other partners.

ENTERING AND LEAVING THE PARTNERSHIP

Joining the partnership

13 How do prospective partners typically enter the partnership? Are there any formalities?

Prospective partners may enter a partnership either by acquiring either new shares issued to them or existing shares from existing or retiring partners. Unless a clause in the partnership agreement provides otherwise, unanimous consent is required.

In regulated professions, the prospective partner must qualify for carrying on the profession and, in certain situations (such as notaries, bailiffs, auctioneers), an official appointment is required to become partner.

Leaving the partnership

14 Can partners leave a firm without the agreement of the other partners, and must they serve a notice period? Will a partner receive back any capital invested, a share of the value of the partnership or any other payments on leaving? In what circumstances can a partner be required to leave a firm?

The right of a partner to leave the partnership or partnership-like structure depends very much upon the type of partnership and the terms of the partnership agreement.

Partners in a civil partnership may retire in whole or in part from the partnership under the terms and conditions set forth in the articles of association. In professional partnership agreements, a notice period of six months would be typical. Without a retirement clause in the partnership agreement, a partner may leave only after unanimous consent of the other partners or upon fair grounds recognised by a court order. Upon revocation, a managing partner is also entitled to retire from the partnership. In all these situations, the retiring partner is entitled to the redemption of the fair value of its interest in the partnership.

Members of an economic interest grouping (GIE) may retire from the GIE according to the terms of the agreement when they have fulfilled their obligations.

As far as other forms of French partnerships are concerned, there is no statute on the matter. Accordingly, there should be no right for a partner to leave unless provided in the original articles of association or unanimously agreed by the other partners.

Similarly, in the absence of statutory provision, a partner may be required to leave the partnership only if it is provided in the original partnership agreement or unanimously agreed thereafter.

DISPUTES AND REDRESS

Recovering losses caused by partners

15 | May partners sue for loss caused by another partner?

Managing partners are liable for the consequences of their acts of mismanagement towards the partnership and the other partners. The partnership (or individual partners on behalf of the partnership) may take action for damage caused to the partnership. Individual partners may claim remedies only if and to the extent they suffer a specific loss.

Similar actions could possibly be envisaged towards individual partners if and to the extent they fail to deliver the sums or activity (industry) they undertook to contribute to the partnership.

Disputes

16 | How are disputes among partners and between individual partners and the partnership itself typically handled?

Without a professional regulation or specific clause in the partnership agreement, disputes between partners and within the partnership are ordinarily handled before civil courts. First-instance commercial courts have jurisdiction where certain forms of partnerships (ie, the general partnership or limited partnership) are concerned or where the partnership carries out a trade, even when not all partners involved in the dispute are traders.

Alternative dispute resolution systems are available. Some of them are compulsory in certain regulated professions, such as law firms.

Criminal proceedings may be initiated before criminal courts in cases of breach of trust or misuse of partnership assets by the managing partners.

DISSOLVING THE PARTNERSHIP

Dissolution

17 | How are partnerships voluntarily dissolved?

A partnership terminates and is dissolved:

- upon reaching its term (a maximum of 99 years);
- upon completion of its common purpose;
- in the case of early termination decided by the partners or the court;
- in the case of bankruptcy; or
- for any other reason specified in the articles of association (article 1844-7 of the Civil Code).

Except when the dissolved partnership is merged into another entity, dissolution entails the liquidation of the assets and liabilities of the partnership by a liquidator appointed according to the partnership, or by the partners or by the court. The legal personality of the partnership survives for the purposes of the liquidation until such liquidation is completed and published (article 1844-8 of the Civil Code).

UPDATE AND TRENDS

Emerging trends

18 | Are there any emerging trends or hot topics in your jurisdiction?

A most important (and challenging) change that has been introduced recently into French statute a law on companies and partnerships with the Act on Business Growth and Transformation of 22 May 2019. The French Civil and Commercial Codes have been modified to take greater consideration of social and environmental issues in companies' and partnerships strategies and activities. At this early stage, few initiatives have been reported as implementing these opportunitiees. The most recent and public change was implemented by Danone, the food products listed company that decided to become a *'mission entreprise*' at it shareholders' meeting of 26 June 2020.

More technical changes are expected from various bills and other initiatives aiming at simplifying French corporate and partnership law, including on the voluntary and forced retirement of partners and shareholders.

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Coronavirus

19 | What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

The French legislation dealing with the consequences of covid-19 contains no specific provision in relation to partnerships. However certain partnerships may, or may not, benefit from relief programmes depending upon their economic situation but irrespective of their partnership status.

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