

Limited partnerships (bt.) and  
general partnerships (kkt.): The  
deadline for amending the articles  
of association is over on 15 March  
Legal newsletter



# Limited partnerships (bt.) and general partnerships (kkt.): The deadline for amending the articles of association is over on 15 March

**Deloitte Legal Szarvas, Erdős and Partners Law Firm, a member of Deloitte Legal's international network, is providing its clients with a monthly newsletter on the most recent changes and newly adopted regulations in economic law and the most notable legal cases.**

Limited partnerships and general partnerships have only one month left to harmonise their articles of association with the provisions of the New Civil Code. Although the New Civil Code introduced only a few changes regarding limited and general partnerships compared to the old one, the permissive provisions of the New Civil Code raise some issues to consider for small enterprises, too. In this Newsletter we wish to draw your attention to the most important changes and practical issues.

## Changes regarding representatives

In case of limited partnerships, most questions arise with respect to the executive position of the limited partner (in Hungarian: "kültag"). The New Civil Code specifically provides that the limited partner may not be an executive of the partnership, however, if certain criteria are fulfilled, the provisions of the New Civil Code allow some deviation from the rule. Based on these criteria, a generally accepted legal opinion and court practice are forming, namely that the above rule restricting limited partners may be suspended. This means that the members may appoint the limited partner an executive officer, but this must be laid down in the articles of association.

The New Civil Code also introduced some formal changes pertaining to executives. In the Companies Act the person representing the company was called "member in the capacity of executive officer". Under the new regulation, this is modified to "managing director" -- as in limited liability companies.

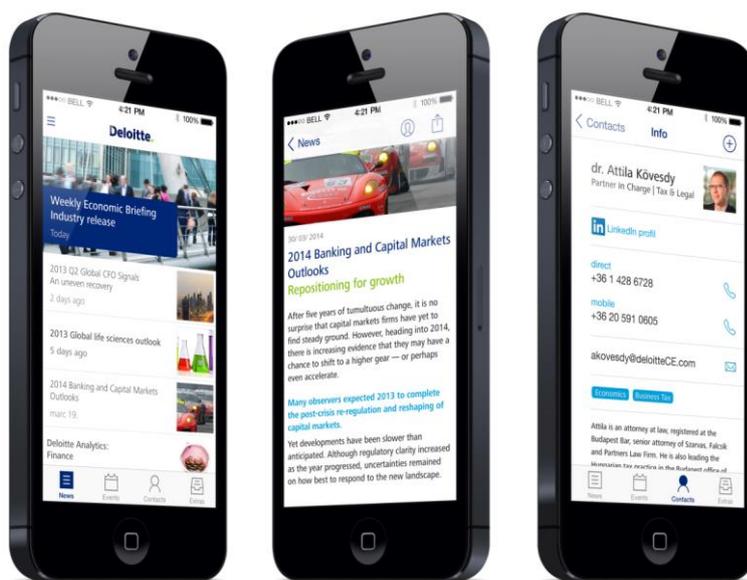
## Liability of a new member joining the general partnership

For general partnerships the New Civil Code has brought significant changes regarding the liability of a new member. While the Companies Act allowed that the liability of a new member for the obligations originating prior to his admission to the partnership shall be limited, the New Civil Code abolishes this limitation on liability vis-à-vis third parties. Accordingly, articles of association containing such limitation should be amended, too.

## Exemption from amending the articles of association

As a general rule, all limited partnerships and general partnerships are required to amend their articles of association by 15 March 2015. Exemption is possible in the following two cases. The amendment is not necessary if the only item to change is the name of the member in the capacity of executive officer to managing director, as described above. It is not required either if the articles of association generally refer to the Companies Act as the background piece of legislation. Please note, however that if the articles of association specifically refer to a section of the Companies Act, then the document must be placed under the New Civil Code and therefore, be amended.

Also, for cooperatives the transition to the New Civil Code is compulsory from 15 June 2015, while for limited liability companies, companies limited by shares, associations and foundations this deadline is 15 March 2016. The Court of Registration will impose fines on companies that meet their above obligations with a delay; therefore we recommend that you do not postpone the review of your articles of association and placing them under the New Civil Code.



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