

Farm Partnerships

in Manitoba



Farm Partnerships in Manitoba

The surest way to reach a business goal is to plan on it. Successful Manitoba farmers are focused business people. They have clear, flexible, short and long term business plans – and they monitor their plans regularly.

Whether you're starting, growing or passing along your business, you need a solid business plan. And Manitoba Agriculture, Food and Rural Development (MAFRD) can help you build a plan for success.

Farm businesses are rapidly growing in size and complexity. The need for careful assessment of a farm operation and determination of which business structure best meets the needs of a farm is greater than ever. Understanding how a farm partnership is created, how it functions and the advantages and disadvantages of using this structure for your farm operation will provide assistance in making these decisions. Use this as a resource to help you be informed about the Farm Partnership business structure.

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Governing Law

Use of this Manual and any disputes arising out of or in relation to this Manual shall be governed by, construed and enforced in accordance with the laws of Manitoba, Canada.

This publication was completed with the valuable contribution of Mona G. Brown, Harley Shepherd and Andrew Winkless.

Available in alternate formats upon request

Table of Contents

Definitions.....	4
What is a partnership?.....	5
Elements of a partnership	5
Types of partnerships.....	7
General partnerships.....	7
Limited partnerships.....	9
Limited liability partnerships	10
Creation of a partnership.....	11
Partnership agreements.....	11
Registration of the partnership	12
Limited partnerships.....	12
Advantages of a partnership.....	13
Practical advantages.....	13
Taxation advantages.....	14
Disadvantages of a partnership.....	21
Practical disadvantages	21
Taxation disadvantages	24
Family law considerations.....	26
Equalization of family property	26
Contributions to an increase in value	26
Homestead rights.....	26
Appendix - Forms.....	27

Definitions

Who is a Farmer?

In tax and estate planning, the definition of farmer is important. Canada Revenue Agency defines a farmer as someone who is assuming all the risk in the farming operation. It does not matter who does the actual work. All the labour may be contracted out and the equipment rented, the individual assuming all the risk will still be considered a farmer.

Farming is not

1. renting out land
2. share crop rental

As such an individual is not assuming all the risk associated with the farm business.

Capital gains

When property is sold, there may be a difference between the fair market value and the original purchase price (cost base). A capital gain is the difference between the cost base of property (or V-Day value if owned prior to December 31, 1971) and its fair market value. When property is sold or the property owner dies, the *Income Tax Act* deems the vendor / deceased to sell at fair market value, and a capital gain (or recapture) may be generated. There are some exceptions for farm property.

Capital Gain = Fair Market Value – Cost Base

Currently in Canada, capital gains are 50 per cent taxable. Fifty per cent of the gain is included in your income and tax is paid at your marginal rate. Your marginal tax rate is the tax rate payable on your last dollar of taxable income. For tax planning, your marginal tax rate is what you'll likely pay on your next dollar earned. Canada operates on a system of graduated tax rates, where you will pay higher rates of tax as you earn more taxable income.

Capital gains exemption

As of 2015, every resident of Canada has a \$1,000,000 exemption to use to offset capital gains that may occur when 'qualified farm property' is sold or deemed sold.

Capital gains are presently 50 percent taxable; every farmer therefore has an exemption capable of sheltering up to \$500,000 of taxable capital gains.

Note that corporations do not have a capital gains exemption, only individuals do. However, if your farm is incorporated, the shareholders can use the capital gains exemption on the sale of shares of a qualified farm corporation or, if a farming partnership, on the sale of a 'partnership interest' in a qualified farm partnership.

Recapture

For depreciable assets such as buildings and equipment, recapture is the difference between the original cost and the undepreciated capital cost (UCC). UCC is the original cost of an asset, less the depreciation claimed in prior tax years. Recapture is fully taxable.

Spouse / common-law partner

Common-law partners of three years or more and spouses have equal rights under Manitoba's family property legislation. Any time a spouse is referred to in these materials, the provisions apply equally to common-law partners of three years* or more or those who have registered their common-law relationship with Manitoba Vital Statistics.

*There are many instances where property can be subject to equalization when a common-law partnership has existed for less than three years. For further information, please consult a lawyer knowledgeable in family law.

What is a partnership?

The word partnership, when used to refer to a business arrangement, has a specific legal meaning. *The Partnership Act* of Manitoba (the "act") defines a partnership as a relationship existing "**between persons carrying on a business in common, with a view of profit.**"

Elements of a partnership

The definition contained in the act establishes four elements essential to the formation of a partnership:

1. two or more persons
2. carrying on a business
3. in common
4. with a view of profit

Two or more persons

A person includes a natural person, a sole proprietorship, a partnership, a trust, an unincorporated entity, and a corporation. Any of these entities may enter into a partnership with one another.

Carrying on a business

Business is defined in the act as “every trade, occupation or profession.” This is a very broad definition and can include almost any activity. Although it may seem obvious, in determining whether or not someone is carrying on business, there are a number of factors the law considers, including:

1. whether or not those involved in the activity advertise or hold themselves out as providing goods or services
2. the use of time, attention, and labour in relation to the activity by those involved
3. taking on obligations and liabilities to others as part of the activity
4. whether or not those who perform the activity do so as a means of earning a living

Partnerships may be formed to carry on a new or an existing business. If an existing business adds partners, there may not be any change in the day to day operations of the business. A partnership can exist even if the partners hold no meetings, make no decisions, and never enter into any new business transactions.

In common

A partnership is a contract. The nature of a contract and the obligations arising from it reflect the intentions of the parties at the time the contract was entered into. For a partnership to exist the evidence must show that there is an intention amongst all of the parties involved to carry on the business together. Evidence may include:

- the contribution of skill, knowledge, or assets to the business by each partner
- joint ownership of business assets by the parties
- the sharing of profits and losses by the parties
- the filing of personal income tax returns showing partnership income

Not all of the partners need to be active in managing the business affairs of a partnership. If all of the partners agree one or more partners may be appointed to manage without changing the fact the business is carried on by all of the partners collectively.

With a view of profit

In order to establish a partnership, the parties involved must have the intention to earn a profit from the enterprise. Once again, the intention of the parties at the time of creation of the partnership contract is what is most important. The courts have made it clear that intention and motivation are not the same. Parties may be motivated to form a partnership for tax reasons, but this does not affect the possibility of creating a valid partnership, provided all of the required elements are present.

Profit does not need to be the foremost consideration of the partners. The partners need only contemplate a profit sometime in the future. If the primary purpose of establishing a partnership is to utilize losses to reduce the tax payable by the partners, a partnership will still exist if the partners have a secondary intention that the partnership will be profitable in the future.

A written partnership agreement, prepared by a lawyer, is the best way to ensure a partnership has been created. The intentions of the parties are clearly set out in the agreement. A lawyer will be able to confirm that all of the legal elements of a partnership are present and craft the agreement to the specific needs and wishes of the partners. It should be noted that a court may find that all of the elements of a partnership are present and that a partnership exists even if there is no partnership agreement and the parties involved do not intend a partnership.

Types of partnerships

A partnership is not a legal entity and is not in any way separate from the partners it is comprised of. In a partnership, the partners each have rights and responsibilities to each other and to the entities the partnership does business with. The extent of these rights and responsibilities is dependent upon the type of partnership.

Manitoba recognizes three different kinds of partnerships:

1. general partnerships
2. limited partnerships
3. limited liability partnerships

General partnerships

In a general partnership, all of the partners have equal rights and responsibilities as set out in the act, unless these rights and responsibilities are altered by a written partnership agreement. A partnership agreement can expand or reduce some of the rights and responsibilities of the partners that are set out in the act. If a partner has apparent authority to bind the partnership and is held out to be a partner, that partner's liability will not be limited as against a third party, even if a partnership agreement limits that partner's liability. Every business is unique and it is important that potential partners seek legal advice about the arrangements best suited to their needs.

Rights of general partners under the act

Assuming there is no written partnership agreement, every partner has the following rights with regard to the assets and business affairs of the partnership:

1. to share equally in the assets (capital) and profits of the partnership business
2. to take part in the management of the partnership business

3. to act as agent of the partnership and to make contracts and agreements on behalf of the partnership
4. to express an opinion and vote on ordinary business decisions. Ordinary business decisions may be made by a majority of the partners
5. to prevent a change in the nature of the partnership business. Any decision that alters the nature of the business the partnership engages in requires the consent of all of the partners
6. to access, inspect, and copy any books and records of the partnership

Responsibilities of general partners under the act

Partners are held to very high standards of conduct and must put the best interests of the partnership ahead of their own personal interests. Partners are also exposed to a potentially large amount of liability with respect to the partnership business.

Every general partner is required:

1. to equally contribute to the payment of any losses sustained by the partnership
2. to fulfill any contract or obligation of the partnership entered into by any other partner
3. to be liable for any wrongdoing of any partner acting on behalf of the partnership and, as a result, pay for damages that a third party may suffer as a result of that wrongdoing. This includes being sued and being subject to the judgment of a court. **This personal liability is not limited**
4. not to carry on any business that competes with the partnership unless all of the partners consent and agree. If all of the partners do not consent and agree to the competing business they may force the partner that started the competing business to share any profits made equally with the partners
5. not to receive any payment for taking part in the partnership business. A partner cannot be an employee of the partnership nor draw a salary. It should be noted however, that a partnership agreement may allocate a greater proportion of the profits of the partnership to one or more partners who are primarily responsible for the management of the partnership business
6. to act honestly and in good faith towards the other partners, putting the interests of the partnership ahead of personal interests. In law this is called a *fiduciary duty*
7. to ensure that accurate books and records are maintained at the partnership's primary place of business

Limited partnerships

A limited partnership creates two separate classes of partners:

1. general partners
2. limited partners

A limited partnership must have at least one general partner and at least one limited partner. Subject to the limited partnership agreement, the rights and responsibilities of general partners are the same in general partnerships and limited partnerships. The rights of limited partners are restricted and their liability for the obligations and debts of the partnership are limited to their monetary contributions to the partnership, which is the reason they are called limited partners.

Rights of limited partners under the act

Compared to a general partner, the rights of a limited partner are very restricted. A limited partner does not have the right to participate in the management of the partnership business and cannot enter contacts on behalf of the partnership. Limited partners are entitled:

1. to annually receive interest on the capital contribution made to the partnership, provided the interest paid does not reduce the original amount of the capital
2. to receive a share of the profits or losses of the limited partnership
3. to demand a return of the capital contribution made by the limited partner:
 - a. when the limited partnership dissolves
 - b. as set out in the limited partnership agreement
 - c. after giving six months' notice to all other partners
 - d. when all of the partners consent to the return of the contribution
4. to inspect the books of the limited partnership and look into the state of the partnership business
5. to advise as to the management of partnership. This is a right to discuss management of the partnership business with the limited and general partners, employees, and potentially even third parties, without taking an active role in making decisions

Responsibilities of limited partners under the act

As previously discussed, limited partners do not have the right to participate in the management of the partnership business. As limited partners have limited rights, they also have limited liability for the debts and losses of the partnership business, provided they do not participate in active management of the partnership business. A limited partner's responsibilities to the partnership are limited to:

1. liability for the debts of the partnership business up to the amount of money contributed to the partnership or up to an amount set out in the limited partnership agreement. A limited partner loses this limited liability if the limited partner takes an active role in management of the partnership business
2. not carrying on any business that competes with the limited partnership unless all of the partners agree
3. deferring repayment of any money loaned to the limited partnership by the limited partner until all other creditors have been paid

General partner and limited partner at the same time

It should be noted that an individual, including a corporation, may be a general partner and a limited partner at the same time. The individual has unlimited liability and the ability to participate in management as a general partner, but can have the same rights as a limited partner with respect to his or her contribution as a limited partner.

Limited liability partnerships

These are special kinds of partnerships reserved for members of professions specifically governed by an act of the Manitoba Legislature. These professions have governing bodies and must carry a minimum amount of liability insurance. Farming is not a regulated profession and therefore farmers cannot form limited liability partnerships. Only general partnerships and limited partnerships will be discussed in further detail.

Creation of a partnership

Partnership agreements

Whether or not a partnership exists depends upon the intentions of the people who are in business together. Provided the four elements of a partnership are all present, a partnership will most likely exist. It is important that anyone intending to create a partnership seek legal counsel and set out the terms of the partnership in a written partnership agreement.

A written partnership agreement clearly sets out the intentions of the parties at the time the partnership is created. It can also avoid any unintended application of *The Partnership Act* to the partnership. Even in the case of partnerships formed by members of the same family (also called non-arm's length partnerships) a written partnership agreement helps prevent disputes and helps prevent Canada Revenue Agency from treating the business as a sole proprietorship and attributing all of the income of the business to one partner.

The following are examples of some of the issues a written partnership agreement should address:

- how profits and losses are allocated to each of the partners
- the rights and responsibilities of each of the partners
- the manner in which business decisions are to be made
- the location of partnership bank accounts
- the effects of the death or bankruptcy of a partner
- the effects of the retirement of a partner
- whether or not new partners may be added and the manner in which they are to be added
- delegating responsibility for and establish a procedure to complete all provincially required registrations
- delegating responsibility for and establish a procedure to complete all required financial statements and filing of income tax information
- distribution of partnership property upon the dissolution of the partnership

Registration of the partnership

A partnership must be registered with the Manitoba Companies Office as required by *The Business Names Registration Act*. The name under which the partnership business will operate will need to be reserved prior to registration of the partnership. Registration of a partnership sets out:

1. the names and place of residence of all of the partners
2. the nature of the business being carried on
3. the business name or firm name of the partnership
4. the amount of time the partnership has existed
5. the address of the principal place of business of the partnership

The partnership is to be registered within one month of the partnership being formed. Registration of a partnership expires after three years and must be renewed. Further registration is required if the partnership dissolves or a partner is added or removed.

Failure to comply with the requirements of *The Business Names Registration Act* can result in a fine of up to \$5,000 per infraction.

Limited partnerships

Limited partnerships can be created in the same manner as general partnerships and as such, should always be the subject of a written partnership agreement. A limited partnership must also be registered with the Manitoba Companies Office as required by *The Business Names Registration Act*. The liability of limited partners remains unlimited until a declaration has been completed and filed with the Manitoba Companies Office. The name under which the partnership business will operate will also need to be reserved and registered.

It is important to note that the business or firm name of a limited partnership may not include the names of limited partners. Using the name of a limited partner in the firm name automatically makes the limited partner a general partner and therefore the liability of that partner becomes unlimited.

Registration of both limited partnerships and business names expires after three years. It is extremely important to renew the registration of a limited partnership before the registration expires or the limited partners will not have limited liability and will be deemed to be general partners until the registration has been renewed. The addition or removal of limited or general partners to or from a limited partnership, and the increase or decrease of the capital contribution of any limited partner requires a declaration be filed at the Companies Office within 30 days of such a change.

Advantages of a partnership

Practical advantages

Greater access to resources

A partnership will have access to a larger pool of assets and skills and a wider range of credit than a sole proprietorship. Each partner will provide his or her own assets or skills to the partnership business as well as his or her access to credit. This provides a partnership a much better position from which to commence business than an individual sole proprietor. The partnership is better able to absorb losses or limited profit margins during the earliest stages of the business.

Less management responsibility

A sole proprietor bears responsibility for managing every aspect of the business. In a partnership, responsibilities can be divided between the partners, relieving each of the partners of some of the pressures of running a business.

Limited partnerships

Limited partners can only be liable for any debts of the partnership up to the amount contributed to the partnership, provided the limited partner has not been involved in active management of the partnership business. A limited partnership may be preferable to a farmer that wants to assist one of his or her children begin farming, but is uncomfortable with the risk. A limited partnership allows the farmer to provide assets or cash to a child that is beginning to farm, without the potential for unlimited liability if the child becomes insolvent, subject to any guarantees the parent may provide to the child's financial institution.

Parent-child partnerships

Partnerships between a parent and child can provide the parent the ability to gently introduce a child to the farming operation. The farm parent is able to mentor the child and provide resources, management skills, and stability to the overall operation to ensure the child succeeds in taking over the operation. A parent-child partnership can begin with the parent being able to make most of the decisions and being primarily responsible for the operation; over time the child takes on more and more responsibility and decision making power while the parent transitions to a lesser role in the partnership.

Corporate partnerships

Corporations are legally recognized as separate and distinct individuals and as such, corporations can enter into partnerships with one another. A parent and child, or two siblings, could each operate their own farm corporation and the farm corporations could create a partnership allowing the farmers to access the advantages of a partnership and a corporation.

Spousal partnerships

Spousal partnerships allow both spouses to participate in making decisions affecting the partnership business and both are legally allowed to enter into contracts and other business dealings on behalf of the partnership business. This structure can improve efficiency of a farm operation, especially during busy times of the year, such as seeding and harvest, by allowing one spouse to purchase needed crop inputs or supplies, while the other keeps equipment running in the field. With proper planning, spousal partnerships can also provide significant tax advantages.

Taxation advantages

Partnerships are not separate legal entities, nor are they recognized as separate legal entities in the Canada *Income Tax Act*. The partnership calculates the annual income or loss for the partnership business and this is then allocated to the individual partners in accordance with the partnership agreement. Each individual partner is required to report the income or loss allocated on his or her personal income tax return. Unlike a corporation, any losses suffered by the partnership can be applied by the partners against income from other sources. Starting a business often creates initial losses, which can relieve other tax burdens for the partners. The partnership itself does not file an income tax return, which is again different from a corporation.

Income splitting

As partnership income is taxed as the personal income of each of the partners, a farm partnership can successfully split taxable income between the partners and lower the amount of income tax that is to be paid. It should be noted that the contributions of each partner may be examined by Canada Revenue Agency in determining whether the splitting of income is reasonable in a particular circumstance.

For example, John and Jane own and operate a farm together. John only works on the farm. Jane is a stay-at-home mother and assists John on the farm keeping accounting records, driving equipment and hauling grain. John and Jane enter into a partnership agreement providing that John and Jane will each be allocated 50 per cent of the farm income.

In the first year of the partnership, the farm records a profit of \$100,000. John is allocated \$50,000 of income and Jane is allocated \$50,000 of income. Using 2015 income tax rates and assuming no other deductions, John and Jane would each pay approximately \$10,956 of income tax on \$50,000 of income for a total of \$21,912. If John had operated the farm as a sole proprietor he would have paid income tax of approximately \$30,289 on \$100,000 of income. Jane would not have paid any income tax. The partnership resulted in income tax savings of over \$8,000 as a result of the income split.

The benefits of income splitting through a partnership are largely limited to non-arm's length parties or situations where farm couples are in low income brackets. There are, however, other significant income tax advantages to partnerships involving capital assets, machinery, equipment and inventory.

Rollovers

In a farming operation there are generally two kinds of assets:

1. capital assets
2. inventory

Capital assets include land and depreciable assets such as buildings, machinery, and equipment. Sale of a capital asset may result in either a capital gain or a capital loss. Sales of depreciable assets for more than the undepreciated capital cost will result in recapture up to the original cost of the asset. One hundred per cent of recapture is included as taxable income. Fifty per cent of capital gains that have accrued since December 31, 1971, or the date the capital assets were acquired, whichever is later, are included in an individual's taxable income upon disposition of the assets on which the gain has accrued.

Inventory generally includes all assets bought and sold in the course of operating a business. When inventory is sold, the entire amount realized on the sale is taxable income.

The *Income Tax Act* contains provisions that allow assets to be transferred to or from a partnership in a manner that delays or defers realizing taxable income or a taxable capital gain. Transfers of assets on this kind of a tax deferred basis are commonly referred to as "rollovers" or "rollouts".

Deciding which assets to include in your farm partnership is important and should be done with the advice of accountants and lawyers who have specialized in the taxation of farm businesses.

Rollover of assets to a partnership

A person who transfers assets to a partnership is generally considered to have disposed of the assets at price equal to the fair market value of the assets and must pay tax accordingly. Subsection 97(2) of the *Income Tax Act* allows an individual to transfer both capital assets and inventory to a partnership at an amount that is less than the fair market value of those assets, provided:

1. all partners in the partnership receiving the assets are residents of Canada
2. the person who transferred the assets to the partnership is a member of the partnership or becomes a member of the partnership immediately after the transfer of assets
3. a joint election is filed with Canada Revenue Agency by the person who transferred the assets and all of the members of the partnership that received the assets

If all of the above conditions can be fulfilled, the cost of the property to the partnership and the value received by the person who transferred can be designated in the election. The elected amount can generally be anywhere between the cost of the assets to the person who transferred to the partnership and the fair market value.

Subsection 97(2) allows a sole proprietor to enter into a partnership and transfer assets to the partnership at the adjusted cost to the sole proprietor. This allows the sole proprietor to defer payment tax on capital gains or recapture allowing the sole proprietor to restructure his or her business organization without incurring serious tax consequences that could jeopardize the liquidity of the business.

For example, Doug is a sole proprietor. He owns equipment worth \$300,000 that has a UCC of \$150,000. Doug also owns inventory and prepaid fertilizer with a total value of \$200,000. Doug enters into a partnership agreement with his son, Robert. Under subsection 97(2) of the *Income Tax Act*, Doug can transfer his equipment to the partnership at the UCC of \$150,000 and transfer prepaid fertilizer and inventory to the partnership for \$1, deferring the tax on the cost. Doug acquires an interest in the partnership, which has an adjusted cost base of \$150,001.

The partnership owes Doug \$450,000, being the fair market value of the equipment, prepaid fertilizer, and inventory. This amount will start as a credit in Doug's partnership capital account. On a subsequent sale of the partnership assets or a sale of Doug's partnership interest, Doug must be credited with his entire capital account. It should also be noted that Doug will be subject to a taxable capital gain on any amount he receives in excess of his adjusted cost base.

Rollout of assets to partners on dissolution

Subsection 98(3) of the *Income Tax Act* provides that if, upon dissolution of a partnership, an undivided interest in each partnership property is distributed to each of the partners, each partner has the exact same proportional undivided interest in each item of partnership property as that partner had in the partnership, and the required election is made with Canada Revenue Agency, there will be a rollout of the partnership property to the partners.

For example, John and Charlie are brothers who have been farming together in a farm partnership for the last 10 years. Both John and Charlie want to divide the farming assets, incorporate separate farm corporations, and start farming with their own children in their individual farm corporations. The partnership equipment and inventory can be rolled out to John and Charlie with each acquiring a 50 per cent interest in each piece of equipment and each item of inventory.

John and Charlie can then list the assets and decide which items each brother will purchase from the other, so that John and Charlie each acquire complete ownership of certain farm assets in their possession. John and Charlie can now transfer their respective farm assets to their respective farm corporations.

Please note that if the total value of the interests in the assets John is purchasing exceeds the total value of the interests Charlie is purchasing, tax will be payable by Charlie on the cash equalization.

Rollout to a sole proprietor

Subsection 98(5) of the *Income Tax Act* provides that if a partnership dissolves and the business of the partnership is carried on by only one of the former partners, there is a rollover of partnership property transferred to that one specific partner.

For example, Stuart and Malcolm are brothers that have farmed together in a partnership for the last 10 years. None of Malcolm's children want to farm and Malcolm is ready to retire. Stuart wants to continue farming using the partnership assets. Under subsection 98(5) it is possible to rollout the partnership assets to Stuart and defer any tax being paid on the capital assets and inventory of the partnership when the partnership dissolves.

Rollover of partnership interest from parent to child

Rather than transferring assets, if the partnership qualifies, all or part of a partnership interest could be transferred from parent to child as a gift or sold to the child at any amount up to fair market value on a rollover basis. This allows a farmer who has used part or all of his or her capital gains exemption to transfer a partnership interest to a child without paying tax on the capital gain. The child could then sell the partnership interest to a corporation three years later and use his or her capital gains exemption and reduce the overall amount of tax the family pays.

Transfer of partnership interest to a corporation

With proper planning, partnerships can also reduce the tax payable on assets that normally do not qualify for the capital gains exemption. Under subsection 85(1) of the *Income Tax Act*, a farmer may incorporate a corporation and elect to sell qualified farm partnership interests to the corporation for a price anywhere between the farmer's cost base and fair market value. The farmer may utilize his or her capital gains exemption if the amount elected is above his or her cost base.

The partnership interest includes all of the farm partnership assets, including machinery, equipment, and inventory. Depreciable assets such as machinery and equipment do not normally qualify for the capital gains exemption and would normally attract tax. Inventory such as grain, feed, and livestock does not qualify for the capital gains exemption and all of the income realized from the sale of inventory would normally be subject to tax. A partnership interest that includes machinery, equipment, and inventory can qualify for the capital gains exemption, saving the farm partners a significant amount of tax.

The sale of partnership interests must be timed correctly and at least one of the original partners must continue to operate the business in partnership with the corporation for a brief period of time. When the last original partner sells his or her interest to the corporation, the partnership ceases to exist and the assets of the partnership automatically rollover to the last remaining partner, the corporation.

After using the capital gains exemption, the farmers that transferred their partnership interests to the corporation can receive payment of the purchase price from the corporation, without further income tax consequences.

For example, Peter and Mary have farmed together as partners for 40 years. They have equipment worth \$250,000, but over the years that has been depreciated to zero. The original cost of the equipment was \$200,000. Peter and Mary also have grain inventory of \$150,000. Their son Paul, has been farming his own land for some time using a farm corporation. Peter and Mary want to retire and sell the farm assets to Paul so they have money to support their retirement and travel plans, but they do not want Paul to be burdened with loan payments.

Peter and Mary elect to sell the partnership to Paul's corporation at fair market value pursuant to section 85(1) of the *Income Tax Act* and use some of their capital gains exemptions. Paul's corporation agrees to pay fair market value, \$400,000 for the entire partnership, or \$200,000 per partnership interest. Peter and Mary each have an adjusted cost base of zero with respect to their partnership interests.

Mary sells her partnership interest to Paul's corporation at 9 a.m. on January 2. Mary receives a promissory note from Paul's corporation for \$200,000 and one preference share in the corporation. She elects under subsection 85(1) to sell at fair market value creating a capital gain of \$200,000. Mary elects to use her capital gains exemption in her tax return. Paul's corporation now owes Mary \$200,000, free from any tax because she used her capital gains exemption.

At the same time as Mary's sale is completed, Peter enters into an agreement with Paul's corporation to continue farming as a partnership. Peter then sells his partnership interest to Paul's corporation at 3 p.m. on January 2, receives a promissory note and share in Paul's corporation, and makes the same elections as Mary. Paul's corporation now owes Peter \$200,000, free from tax.

The *Income Tax Act* deems the partnership to dissolve upon the sale of Peter's partnership interest and all of the partnership assets rollover to Paul's corporation. Paul's corporation begins making payments to Mary and Peter, who receive the payments without paying any tax.

If Peter and Mary's partnership had sold the equipment and inventory to Paul's corporation, Peter and Mary would have paid tax on 100 per cent of the recapture (the difference between the undepreciated capital cost of the machinery and equipment and the original cost of the machinery and equipment). Peter and Mary would also pay tax on 50 per cent of the difference between the original cost of the machinery and equipment and the actual fair market value of the machinery and equipment. The capital gains exemption would not have applied. They would have also paid tax on the entire sale value of the inventory.

\$200,000	Original cost of Machinery and Equipment
\$0	Undepreciated Capital Cost (UCC)
\$200,000	Recapture – 100% included as taxable income
\$250,000	Fair Market Value of Machinery and Equipment
\$200,000	Original cost of Machinery and Equipment
\$50,000	Capital Gain – 50% included as taxable income

On a sale of inventory, 100 per cent of the proceeds of sale are included as taxable income.

The partners must each share the taxable income derived from the partnership assets. Therefore, Peter and Mary would each have \$100,000 of recapture, \$25,000 of taxable capital gain and \$75,000 of income from the sale of inventory. Both Peter and Mary would have to pay tax on \$200,000 of income. Using 2015 income tax rates, Peter and Mary would each be subject to an income tax bill of \$75,532, which equates to a combined tax liability \$151,064 if Peter and Mary sell all of the partnership assets to Paul's corporation, rather than sell their respective partnership interests.

This transaction is similar to a shopping bag full of groceries. The partnership is the shopping bag and the groceries are the assets. Peter and Mary can sell the grocery bag and whatever it contains to Paul's corporation. Peter and Mary are selling their interest in the bag as a whole rather than taking each item out of the bag and providing each item individually to Paul's corporation. The bag has a tax exemption, while the individual contents do not. Mary gives Paul's corporation one handle of the shopping bag then Peter gives the other. The effect is that Peter and Mary have sold the bag, based on the value of its contents, rather than selling the individual contents.

Rollover of partnership assets to a corporation

Although uncommonly used, subsection 85(2) allows partnership assets to be transferred to a corporation on a rollover basis. This is available if there are reasons not to transfer partnership interest. Please consult your accountant and lawyer to determine the best approach in your particular situation.

Disadvantages of a partnership

Practical disadvantages

Unlimited liability of general partners

General partners have unlimited liability with respect to the partnership business. A general partner is personally responsible for all of the debts of the partnership business and as such, a general partner's personal assets can be seized in proceedings by creditors of the partnership. One partner may be forced to pay all of the debts of a partnership business and his or her only recourse is to then sue the remaining partners for the portion of the debt for which they are responsible.

For example, Nicholas and Ivan farm together as partners. Together the partners arrange for the purchase of \$100,000 of crop inputs on credit from a supplier. The crop inputs are applied, but a crop failure occurs and the partnership fails to make payments on the loan. The supplier sues Nicholas and Ivan and garnishes \$100,000 from Nicholas' bank accounts. Ivan refuses to reimburse Nicholas \$50,000 as Ivan's share of the debt. Nicholas has no choice but to sue Ivan for the \$50,000 that Ivan is responsible to pay and pay legal expenses to collect what he is owed.

Partnerships are easily dissolved

Unless there is a written partnership agreement, *The Partnership Act* will apply to a partnership. *The Partnership Act* provides that a partnership will automatically dissolve:

- on the death of one of the general partners
- upon a general partner becoming bankrupt or insolvent

A partnership may also be dissolved upon one of the general partners giving notice of an intention to dissolve the partnership.

The death, bankruptcy, or insolvency of a limited partner will not automatically dissolve a partnership, but if the limited partner demands a return of his or her contribution and does not receive it.

A written partnership agreement, prepared by a lawyer, is essential to avoid any unintended application of *The Partnership Act*.

More complicated decision making process

General partners each have a right to participate in the management of the partnership business. In cases where there is more than one general partner, there is a greater likelihood of disagreement about decisions affecting the partnership or the rights of the partners. If all of the general partners hold equal interests in the partnership, decisions can be made by a simple vote of the general partners. In partnerships where the contributions of the general partners are unequal, it is important to set out the rights of partners and a mechanism for decision making in a written partnership agreement.

There are also situations where the consent of all of the general partners is required by *The Partnership Act*. These include:

- admission of a new partner to the partnership
- a change in the nature of the partnership business

The consent of limited partners is not required to admit a new partner to a limited partnership, but is required if there is to be a change in the nature of the partnership business. Again, a written partnership agreement is key if the partners do not intend to have the provisions of *The Partnership Act* apply.

Requirements of The Business Names Registration Act

All partnerships in Manitoba must be registered within one month of being formed pursuant to *The Business Names Registration Act*. The registration must be renewed every three years and further registrations must be made any time a partner is added to or leaves the partnership. Failure to comply with *The Business Names Registration Act* can result in a fine of up to \$500 per infraction.

Limited partnerships

Limited partnerships protect the limited partners from liability beyond the investment the limited partner has made. This protection comes at the cost of the limited partner being unable to participate in management of the partnership business.

A limited partner can easily become liable in the same manner as a general partner by simply participating in the management of the partnership or by entering into business dealings on behalf of the partnership. The limited partner could then be liable for all of the debts of the partnership, without the rights of management and control enjoyed by general partners.

Parent-child partnerships

A parent-child partnership can provide an effective mechanism to allow more than one generation of a family to be involved in a farming operation, but it can also pose significant challenges. The parent generally owns most, if not all of the assets of the farming operation and can have difficulty allowing one of his or her children to have an equal voice in making decisions. A child may have less aversion to risk and become frustrated with a parental partner who may prove less willing to expand a farm operation or invest in new technologies.

The potential for an unequal position and vast differences of opinion in farm management between parent and child business partners may be overcome through proper planning and a well drafted partnership agreement. Some arrangements could include:

- Farmland and equipment can be leased to the partnership by the parent, allowing the parent to retain control of their assets while sharing responsibilities for the farm operation.
- The partnership agreement could provide that the child partner's interest in the partnership increases if the child performs more work and takes on more responsibility than the parent.
- The child partner can reinvest money on a regular basis to increase his or her share of the partnership.

Partnership agreements can be tailored to the specific situation of the farm business.

Corporate partnerships

Corporations that are in a partnership together share one small business deduction. Corporations that have income of \$500,000 or less pay federal income tax on that income at the rate of 11 per cent as opposed to 28 per cent for income over \$500,000. If two corporations enter into partnership, this could cause unintended tax consequences. Corporations may prefer to form a joint venture, a form of business arrangement discussed in *Farm Business Arrangements in Manitoba*.

Spousal partnerships

Spouses and common-law partners often do not formalize their business dealings with one another. As a result, there is a greater likelihood that Canada Revenue Agency will declare the partnership invalid and tax all of the partnership income in the hands of one partner. This is less likely to occur if both spouses contribute money, assets, or time to the partnership.

As with parent-child partnerships, there can be difficulties with respect to sharing decision making power.

Spousal partnerships offer many potential advantages that usually outweigh this disadvantage.

Taxation disadvantages

Limited ability to defer income or losses

A partner must declare his or her share of partnership income or losses on his or her income tax return for the year in which the income or loss occurred, subject only to the usual deferrals allowed to individuals. The income must be declared even if the income is not paid to the partners, but is reinvested in the firm. This can cause problems if any partners do not have sufficient funds to pay the tax liability.

Calculation of adjusted cost base

The partnership must calculate and maintain the adjusted cost base of each partner's partnership interest, but it is also recommended each partner keep their own calculation to avoid unintended consequences. The adjusted cost base of a partnership interest starts as the original amount of capital contributed by the partner. The cost base is then adjusted by adding:

1. a partner's share of partnership income
2. further contributions of capital by a partner

and subtracting:

3. a partner's share of partnership losses
4. amounts received by the partner as a distribution of partnership profits or partnership capital

It is important to note that partnership income is only added to a partner's adjusted cost base after the end of the fiscal period in which it was allocated, but distributions of income are subtracted from the adjusted cost base at the time the distributions are made. Subsection 40(3) of the *Income Tax Act* requires that the negative amount of any cost base be realized as a capital gain. General partners are normally excluded from this rule, unless the partnership interest in question is to be sold. Limited partners are specifically subject to this rule by subsection 40(3.1) and therefore, it is important for limited partners to keep diligent records of their adjusted cost base to prevent an unintended realization of a capital gain.

Capital accounts of partnerships have some very specific rules and tax consequences. It is important that farmers work closely with accountants and lawyers that have specialized knowledge of the laws of partnerships and farm business taxation.

Attribution rules

Rollovers are attractive ways to transfer a partnership interest to an adult child and avoid realizing a capital gain by having the adult child use his or her capital gains exemption three years later. A rollover to a spouse, however, will not allow the spouse to use his or her capital gains exemption later. Where an individual gifts or transfers an asset to his or her spouse or common-law partner for less than fair market value on a tax deferred basis, the *Income Tax Act* attributes any capital gain on the asset to the spouse or common-law partner that gifted or transferred the asset, even though the spouse or common-law partner that receives the asset controls when the asset is sold or otherwise disposed of. Rollovers and attribution rules are complicated and you should seek the advice of lawyers and accountants to help you decide what works best for your situation.

Family law considerations

Equalization of family property

A partnership provides few advantages in terms of equalization of family property on marriage or relationship breakdown. A partnership interest is like any other asset. The entire value is subject to an accounting and equalization pursuant to *The Family Property Act* if the interest was acquired during the relationship. If the interest was acquired before the relationship, only the increase in value during the relationship is subject to equalization.

If the partnership interest was acquired by way of gift or inheritance it can be exempt from equalization of family property. However, there are circumstances where the courts have held that a portion of the value of a partnership interest may be subject to an accounting and equalization on the breakdown of a relationship. The burden of proving that the partnership interest is exempt is on the person claiming the exemption.

An agreement between spouses or common-law partners either before or during the relationship stipulating how property is to be divided in the event of a relationship breakdown is the only way to fully protect property from the provisions of *The Family Property Act*.

Contributions to an increase in value

If a person receives a partnership interest by way of gift or inheritance, it is normally exempt from equalization and division, pursuant to *The Family Property Act*. However, if that person takes an active role in the business after receiving his or her partnership interest, any increase in value of the partnership interest which can be attributed to the efforts of that person may be subject to equalization and division.

Homestead rights

Up to 320 acres of farmland can be subject to the homestead rights of a non-owner spouse. Homestead rights allow the non-owning spouse to prevent a sale, mortgage, lease or any other disposal of an interest in the land, unless the non-owner spouse consents. Land that becomes partnership property may still be subject to homestead rights if the legal owner lives on or adjacent to that land with his or her spouse. Homestead rights are dependent upon who holds legal title, not the beneficial interest in the land. If a corporation owns land, no homestead rights exist as the corporation cannot have a spouse.

Appendix – Forms

Contact the Companies Office to ensure that the most current version is being used.

Registration of a business name

Request for name reservation

Change of registrant

Registration of a limited partnership

Change in a limited partnership

The Business Names Registration Act
REGISTRATION OF A BUSINESS NAME



PLEASE PRINT OR TYPE.

1) Business name	
2) Name and address (include postal code) to which duplicate should be returned and Renewals will be mailed	3) Contact person, if different from registrant
Tel. (8:30-4:30)	

4) The place of business is (full address, including postal code)

Note: The listing of a business address outside of Manitoba constitutes a statement by you that the business has no physical address in Manitoba. Where the business has a physical address in Manitoba, the Manitoba address must be listed.

5) The date of start of business (cannot be more than 30 days in future)

6) The main type of business is

7)(a) Does the registrant(s) of this business have a [Business Number](#): (Please click on box to select)

Yes No

(b) If the answer to (a) is “yes”, please set out the Business Number.

Declaration:
The business name being registered is not that of another known firm, company, corporation or unincorporated association, or a name liable to be confounded or confused with the other name, or otherwise objectionable on public grounds.
No other firm, person or corporation is associated in partnership with the registrant(s).

8) Registrant(s) –

Note: Please ensure that you register your business the same when registering with other government offices. For example, if you register a business name with the Companies Office as a sole proprietorship, it is important to register as a sole proprietorship when registering with other government offices.

Full name

Residence address

Signature

A schedule is attached with the names, addresses, and signatures of additional registrants.

IF TWO OR MORE REGISTRANTS ARE LISTED ABOVE: Where there is more than one (1) registrant listed above, the business will be characterized and coded in the records of the Companies Office as a “partnership”, unless you advise in writing, at the time that this document is filed, that the business is not a partnership.

OFFICE USE ONLY

Date of Registration: _____

Date of Expiry: _____

Registration Number: _____

Business Number: _____

Cash Register Endorsement

REQUEST FOR NAME RESERVATION
DEMANDE DE RÉSERVATION DE NOM

\$45.00
45,00 \$

CAUTION: RESPONSIBILITY FOR CHOICE AND USE OF THE NAME RESTS ENTIRELY WITH THE APPLICANT. READ TERMS AND CONDITIONS ON REVERSE BEFORE ANSWERING ALL QUESTIONS.
ATTENTION : LE CHOIX ET L'UTILISATION DE LA DÉNOMINATION INCOMBENT AU REQUÉRANT. LIRE LES MODALITÉS ET CONDITIONS QUI FIGURENT AU VERSO AVANT DE RÉPONDRE AUX QUESTIONS.

A

1. What is the proposed company name? / Quel est le nom proposé de l'entreprise?

2. Select the reason for the reservation / Choisissez le motif de la réservation

<input type="checkbox"/> Incorporation (share) / Constitution en société par actions	<input type="checkbox"/> Amalgamation / Fusion
<input type="checkbox"/> Incorporation (non-share) / Constitution en société sans capital actions	<input type="checkbox"/> Continuance / Prorogation
<input type="checkbox"/> Business Name Registration / Enregistrement du nom d'entreprise	
<input type="checkbox"/> Name Notation / Demande d'inscription de nom	
<input type="checkbox"/> Registration of Federal Corporation / Enregistrement d'une société de capitaux fédérale	
<input type="checkbox"/> Registration of Extra-Provincial Corporation / Enregistrement d'une société de capitaux extra-provinciale	
<input type="checkbox"/> Trust or Loan Corporation / Société de fiducie ou de prêt	
<input type="checkbox"/> Revival or Restoration/ Revitalisation ou restauration	
<input type="checkbox"/> Change of Name From / Changement de nom de _____	

CURRENT NAME / NOM ACTUELLE

3. How or why was this name chosen? / Comment ou pourquoi ce nom a-t-il été choisi?

4. Indicate where in Manitoba the business will be carried on (i.e. Gimli, Winnipeg, etc.)
Indiquez l'endroit au Manitoba où l'entreprise sera en exploitation (p. ex. Gimli, Winnipeg, etc.)

5. Describe the nature of business. Please provide a detailed description. / Décrivez la nature de l'entreprise. Veuillez donner une description détaillée

6. Note any other relevant information / Indiquez tout autre renseignement pertinent (e.g. names of affiliated businesses, consents available from other companies, home jurisdiction of extra-provincial corporation, etc.) / (p.ex., nom des sociétés affiliées, consentements offerts par d'autres entreprises, autorisation d'exploitation locale de sociétés à l'extérieur de la province, etc.)

7. (a) The cost of expediting is double the cost of the request. If you would like to expedite your request, please select this option.
Le coût du service accéléré est le double de celui d'une demande ordinaire. Si vous préférez le service accéléré, veuillez sélectionner cette option.

EXPEDITE / SERVICE ACCÉLÉRÉ

(b) Client's File Number or Name (optional) / Numéro de dossier ou nom du client (facultatif) _____

B

Delivery and Contact Information / Données de contact et de livraison

Name and Address of Sender _____ Nom et adresse de l'expéditeur _____	Contact person _____ Personne-ressource _____
_____	Telephone _____ Téléphone _____

How would you like the reply delivered? _____ Comment est-ce que vous aimeriez la réponse livrée?	Mail / Courrier _____	Fax # / Télécopieur _____
	Pickup / Cueillette _____	E-mail address / Adresse courriel _____

SEND FEE AND ONE COPY OF THIS FORM TO:

COMPANIES OFFICE
1010-405 BROADWAY
WINNIPEG, MB R3C 3L6
(204) 945-2500

FAITES PARVENIR LE DROIT ET UNE COPIE DE LA PRÉSENTE FORMULE À :

OFFICE DES COMPAGNIES
405, BROADWAY, BUREAU 1010
WINNIPEG (MANITOBA) R3C 3L6
(204) 945-2500

TERMS AND CONDITIONS

1. A name reservation request must be done to determine if a name is available to register a business name, register a name notation, incorporate or register a company or to change an existing name. (Note: If a company name is being registered as or changed to a numbered name, a name reservation request is not required. e.g. 3456789 Manitoba)
2. A name reservation request will result in a five page report. The first two pages list names on record in Manitoba. The next two pages list names in other Canadian jurisdictions. The last page will list trademarks.
3. It is your responsibility to ensure that the name you choose is not identical or confusingly similar to an existing trademark, business, association or body corporate. If anyone complains about your name, and that complaint is held to be valid, it will be your obligation to change your name. The Companies Office does not provide any guarantee or warranty that the obtaining of a name reservation, or a subsequent registration, means that the name that you have chosen will not be the subject of such a complaint or direction to change your name.
4. You can check for similar names by reading telephone directories, trade publications, magazines, advertisements, and by contacting the corporations branches in other jurisdictions.
5. Reservation of a name is not "protection" or a "guarantee" that your name is automatically available. Use of a name is done at the risk of the user.
6. Only one name can be requested on this form. If the name is not available, a new name must be selected, AND a new Reservation form AND FEE will have to be filed. Careful selection and research of a name may save you time and money.

MODALITÉS ET CONDITIONS

1. Il faut soumettre une demande de réservation de nom pour établir si un nom peut être utilisé pour enregistrer un nom commercial, déposer une demande d'inscription de nom, constituer une entreprise en société, enregistrer une entreprise ou modifier un nom existant. (Nota. Si on enregistre le nom d'une entreprise comme un nom à numéro ou si on modifie le nom pour qu'il devienne un nom à numéro, il n'est pas nécessaire de soumettre une réservation de nom, p. ex. 3456789 Manitoba.)
2. Toute demande de réservation de nom se traduit par la production d'un rapport de cinq pages. Les deux premières indiquent les noms enregistrés au Manitoba. Les deux suivantes indiquent les noms enregistrés ailleurs au Canada. La dernière indique les marques de commerce.
3. Il vous incombe de veiller à ce que le nom que vous choisissez ne soit pas identique ou trop semblable à une marque de commerce, une entreprise, une association ou une personne morale existante. Si quelqu'un dépose une plainte au sujet de votre nom et que la plainte est fondée, il vous incombe de modifier le nom que vous avez choisi. L'Office des compagnies ne garantit aucunement que l'obtention d'une réservation pour le nom que vous avez choisi ou l'enregistrement subséquent du nom réservé signifie qu'il ne fera pas l'objet d'une plainte ou d'une directive de modification.
4. Vous pouvez vérifier la présence de noms semblables en consultant des annuaires téléphoniques, des publications spécialisées, des revues ou des annonces, et en communiquant avec les directions responsables des entreprises des autres autorités provinciales ou territoriales.
5. La réservation d'un nom ne « protège » pas le nom et ne « garantit » pas qu'il sera automatiquement à votre disposition. L'utilisateur d'un nom doit assumer tous les risques liés à cette utilisation.
6. Un seul nom peut être réservé en utilisant ce formulaire. Si le nom n'est pas disponible, il faut choisir un nouveau nom ET soumettre un nouveau formulaire de réservation, accompagné des DROITS exigibles. La recherche attentive et le choix judicieux d'un nom peuvent vous épargner du temps et de l'argent.

REASONS FOR REJECTION OF NAME / MOTIFS DE REJET D'UN NOM

- Prohibited / Nom interdit
- Consists of general words or only describes the nature of business / Comprend des mots courants ou ne décrit que la nature de l'entreprise
- Consists of surname or geographical name only / Ne comprend qu'un nom de famille ou un nom géographique
- Too similar to other name(s) / Trop semblable à d'autre nom (s).
- Obscene or on public grounds objectionable / Nom obscène ou choquant pour une utilisation publique
- Distinctive element should be added / Un élément distinctif devrait être ajouté.
- Descriptive element should be added / Un élément descriptif devrait être ajouté.

The Business Names Registration Act
CHANGE OF REGISTRANTS



PLEASE PRINT OR TYPE.

1) Business name		
2) Name and address to which duplicate should be returned (include postal code)	3) Contact person, if different from registrant	
Tel. (8:00-4:30)		

THIS FORM DOES NOT APPLY TO SITUATIONS WHERE:

- All existing registrants are being deleted or replaced; or
- There is presently only one (1) registrant; or
- There are presently two (2) or more registrants, and after the change, there will be only one (1) registrant.

In these situations, you must file the following forms:

- Dissolution of a Business Name; and
- Registration of a Business Name

4) The place of business is (full address, including postal code)

5) The change of membership took place on

Declaration: No other firm, person or corporation is associated in partnership with the registrant(s).
--

6) A change in the registrants occurred as follows:	
Full name	Signature
became a registrant	
ceased to be a registrant	
A schedule is attached showing additional changes in registrants, including their names and signatures.	

7) So that the firm now consists of:

Registrant(s) full name

Residence address

Signature

A schedule is attached with the names, addresses, and signatures of additional registrants.

OFFICE USE ONLY

Date of Filing: _____

Date of Expiry Remains: _____

Registration Number: _____

Business Number: _____

Cash Register Endorsement

The Business Names Registration Act
REGISTRATION OF A LIMITED PARTNERSHIP



PLEASE PRINT OR TYPE.

1) Name of limited partnership	
2) Name and address (include postal code) to which duplicate should be returned and Renewals will be mailed	3) Contact person, if different from registrant
Tel. (8:00-4:30)	

4) (a) Does this business have a Business Number?
Yes No
(b) If the answer to (a) is "yes", please set out the Business Number.

5) The place of business is: (full address, including postal code)
--

6) The date of start of business (cannot be more than 30 days in future)
--

7) The main type of business is

Declaration:

The business name being registered is not that of another known firm, company, corporation or unincorporated association, or a name liable to be confounded or confused with the other name, or otherwise objectionable on public grounds.
No other firm, person or corporation is associated in partnership with the registrant(s).
The general partner makes this application and has signed on behalf of all limited partners.

8) Registrant(s)

Full name of general partner(s)

Address

Signature and office held

A schedule is attached with names, addresses and signatures of additional general partners.

Full name of limited partner(s)

Address

Capital contribution (in dollar value)

A schedule is attached with names, addresses and capital contributions of additional limited partners.

OFFICE USE ONLY

Date of Registration: _____

Date of Expiry: _____

Registration Number: _____

Business Number: _____

Cash Register Endorsement

The Business Names Registration Act
CHANGE IN A LIMITED PARTNERSHIP



PLEASE PRINT OR TYPE.

1) Name of limited partnership		
2) Name and address to which duplicate should be returned (include postal code)	3) Contact person, if different from registrant Tel. (8:30-4:30)	
4) Full name and address of general partner(s) on file		
5) The place of business is (full address, including postal code)		
6) The change occurred on		
For a change in general partner(s), complete item 7 For a change in limited partners, complete item 8 <u>OR</u> 9 For a change in capital by a limited partner, complete item 10		
7) A change in the general partner(s) occurred, as follows:		
a) The following ceased to be a general partner(s):	Address	Signature and office held
b) The following became general partner(s):	Address	Signature and office held

OFFICE USE ONLY
Date of Filing: _____
Date of Expiry Remains: _____
Registration Number: _____
Business Number: _____

Cash Register Endorsement

8) A change in the **limited partners** occurred, as follows:

a) The following **ceased** to be limited partner(s):

Address

b) The following **became** limited partner(s):

Address

Capital Contribution

9) A change in the limited partners occurred. Schedule _____ is attached with a **complete** list of the names, addresses and capital contributions of **all** limited partners **after** the change.

10) A change in the capital contributed by a limited partner(s) occurred, as follows:

Full name of limited partner

Total capital contribution **after** change

Schedule _____ is attached with additional changes.

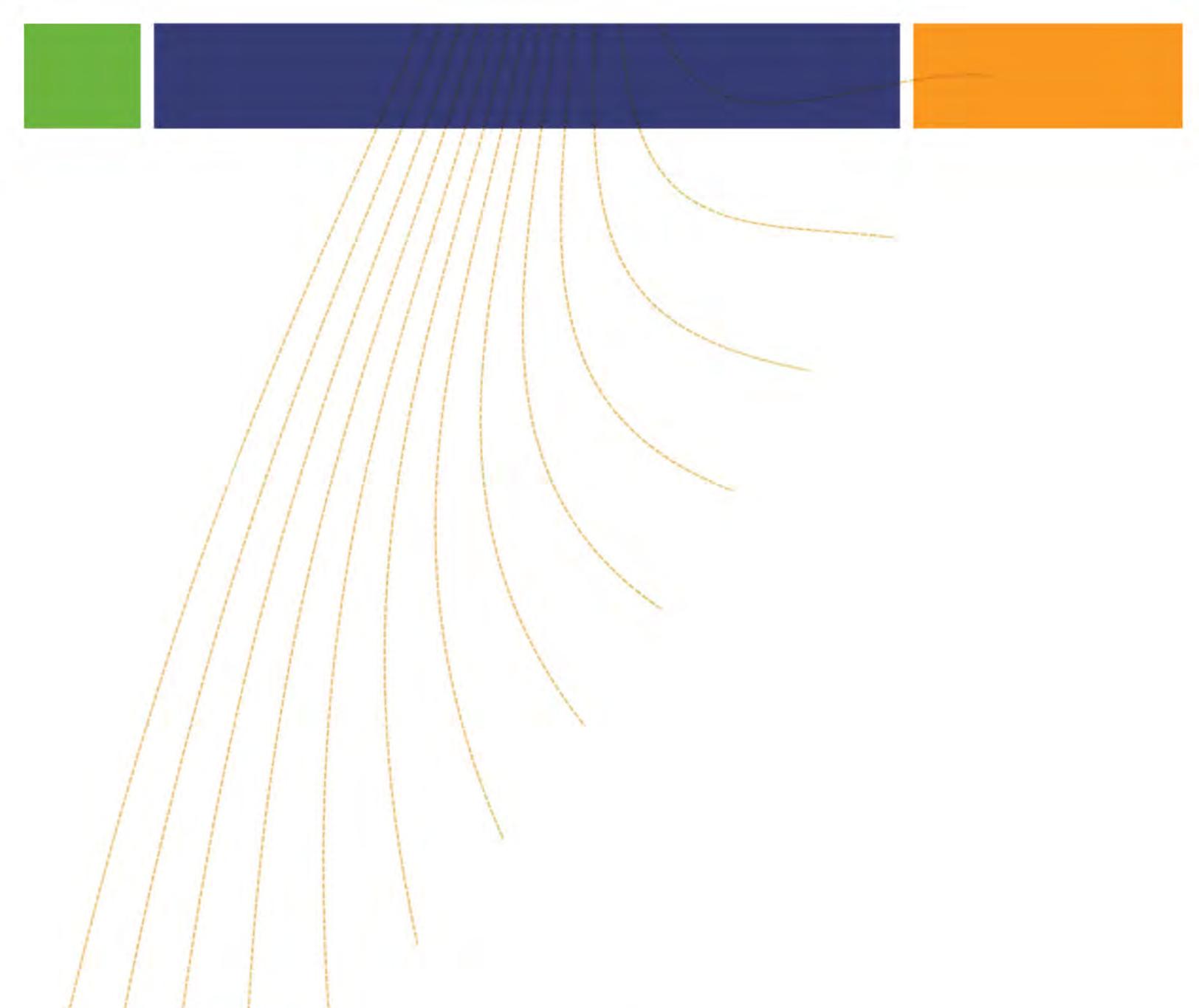
Declaration:

No other firm, person or corporation is associated in partnership with the registrant(s).

11) Signature

Office held

Signature of general partner after the change (**and on behalf of all limited partners**)



For more information

- Contact your local Manitoba Agriculture, Food and Rural Development (MAFRD) GO Office.
- To find your nearest GO Office, call Manitoba Government Inquiry, toll free at **1-866-626-4862**.
- To find out more about the federal-provincial *Growing Forward 2* initiative and provincial programs and services, go to manitoba.ca/agriculture.