



## **Information for Solicitors On Setting Up a Partnership**

What a Partnership Involves, What You Need to Do in  
Order to Establish a Partnership, Structuring a Partnership  
Agreement



# 1. INTRODUCTION

This leaflet is published by Practice Support at the Law Society of Ireland to provide solicitors with outline information about setting up a partnership. It does not deal authoritatively with legal and regulatory matters, and it should not be relied upon in this regard. For authoritative guidance, please consult with Law Society of Ireland Committee and Regulation Department publications, along with the book '*Solicitor's Guide to Professional Conduct (4<sup>th</sup> Edition)*'.

This leaflet should be read in conjunction with another leaflet titled '*Information for Solicitors on Setting Up In Practice*'. Everything in that leaflet is relevant to setting up a partnership and most information in that leaflet has not been replicated in this one. Buying into a partnership is not covered in this leaflet but is dealt with in a separate dedicated leaflet titled '*Buying a Legal Practice*'

## 1.1 Quick Overview

To commence a partnership, the Law Society requires the following:

- **Practising Certificate** – Partners and all other solicitors employed in the firm are required to hold a current practising certificate from Law Society of Ireland.
- **Professional Indemnity Insurance Confirmation of Cover** – Confirmation of PII cover for the firm must be provided through the Society's online portal by the firm's broker.
- **Commencement in Practice Form** - Partners are required to notify the Law Society of the commencement of the practice by completing and returning the Law Society's Commencement in Practice Form.
- **Headed paper** – Partners need to forward a copy of your headed notepaper to the Society which should be in accordance with the provisions of the [Solicitors \(Practice, Conduct and Discipline\) Regulations 1996 \(S.I. 178 of 1996\)](#).

The firm's financial year end date must be within 1 year (365 days) of the firm's date of commencement.

Regulation 26 (1) of the Solicitors Accounts Regulations, 2023 (S.I. 118 of 2023) requires the firm's annual accountant's report to be provided to the Law Society no later than 5 months after your financial year end date [i.e. the last day of the practice's accounting period, year-end]. ***However, under Regulation 26 (1)(b) you may apply for a one month extension of time to file the report. The application must be made in writing at least 14 days before the 5 month filing deadline. For example, if your financial yearend is 31 December, you must make the request for a month extension on or before 17 May.***

Should you wish to choose an initial accounting date which would extend your accounting period, you must notify the Society in writing not later than 1 year after your date of commencement and receive written consent. ***Any such requests, or any queries relating to RAR should be directed to [rar@lawsociety.ie](mailto:rar@lawsociety.ie)***

## 2. WHAT A PARTNERSHIP INVOLVES

A partnership is a solicitor firm operated by more than one solicitor. The partnership is a business that provides legal services. Depending on the type of partner you are – salaried or equity - you may or may not share in any profits made by the firm. However, all partners in a legal practice are jointly and severally liable for debts and liabilities - even if you are just a salaried partner.

Solicitors should be aware that from a regulatory point of view, the Society does not distinguish between salaried and equity partners.

[Please review the Guidance note from Legal Services Regulatory Authority.](#)

As an equity partner, you will be self-employed. This changes several things that you may have taken for granted before. One important issue is remuneration. It will not be guaranteed that you will receive an amount equivalent to your former salary. Equity partners, as owners of the firm, are always last to be paid. Other expenses, including the salaries of employed staff, must be paid first.

In a bad year, your share of the profits as an equity partner (your earnings) may be less than the salary of the most junior secretary. On the other hand, in a good year your reward may be far greater than your previous salary. Practitioners need to determine if they are OK with this kind of uncertainty?

As an equity partner, practitioners do not benefit from the protection of employment legislation. If you find yourself having to leave the partnership, issues of minimum notice, redundancy or other employment safeguards are not relevant. You have no statutory rights. You are simply ceasing to be in business with your former partners and your rights are those associated with partnership law and the agreement agreed and executed by the partners.

As a partner your tax will no longer be deducted under the PAYE system. It will be your own responsibility to make returns to the Revenue Commissioners and to manage your finances so that you have funds available to pay your tax when it becomes due. This becomes your personal responsibility.

Your day-to-day work may not be very different. In some firms, partners work closely together. In other firms, partners work quite independently of each other and simply share the overheads and divide the profits by an agreed percentage at the end of the year.

## **2.1 Pivotal Issues in Partnerships**

- **Management Structure** - Regular, scheduled partnership meetings should be held, and decisions made on an ongoing basis to deal with problems as they arise. Some firms opt to appoint one partner as a managing partner, carrying out more of the administrative work and less of the legal work. This should be reflected in the managing partner's remuneration package as this role is likely to impact on their ability to earn fees for the firm..
- **Profit sharing** - Future disagreements can be largely avoided if there is a written partnership agreement with a clear formula for profit distribution, with flexibility for review.
- **Spending/Borrowing** - Partners often have difficulty agreeing on the levels of spending and borrowing by the firm, bearing in mind that all the partners are responsible for all debt and liabilities. The less profit that is available, the more likely there will be friction about financial matters.
- **Ultimate Responsibility** - The partnership is jointly responsible for the business, but each partner should always remember that they are severally or individually responsible for the whole operation.
- **Information** - It is important that all partners have sufficient information to allow them to monitor the ongoing situation with the firm. Sometimes, as we have seen, one partner will manage the practice and should report regularly to the partnership.

- Duties - Responsibility for all aspects of the business – delivery of services, business development, risk management, staffing etc. needs to be shared among partners. This can be done formally, with specific tasks assigned to individuals or on a more collective, *ad hoc* basis.
- Mediation - Matters which go to the root of the partnership relationship may need assistance from outside. This could be by way of mediation, arbitration or litigation. Mediation is often the preferred choice because it offers privacy to the partnership. The partnership agreement may provide that if a dispute is not resolved internally the next step must be to go to mediation.

### **3. Structuring A Partnership Agreement**

As a partner, you run a business with one or more other people. However, there are different ways of doing this and different partnership models that may be adopted. By doing research and speaking to friends and colleagues, you can inform yourself about what kind of agreement is right for you and your partner(s). A template partnership agreement is also available from the Law Society.

If you are setting up a new partnership, you will have the opportunity of agreeing with your partner(s) an agreement that best suits everyone's circumstances.

#### **3.1 Profit Distribution**

How will the firm's profits be distributed? Normally when solicitors are setting up a new partnership, this matter is quite uncomplicated. Partners can decide to combine and share profits equally or proportion profits based on fees earned by a partner during the relevant time period, what is colloquially referred to as an 'eat what you kill' arrangement.

Combining and sharing income and profits is the most popular arrangement for solicitors setting up a new firm together. Sometimes, one partner will be involved in more lucrative work than another but needs sufficient working capital to enable them to establish a firm. This may be provided by the other partner, who can relatively quickly generate hard cash and provide the firm with income to exist on.

If your share of the profits is to be dictated by the fees you earn, it is important to consider your own client base and whether you will have a say in the allocation of good quality work to you in the future.

### **3.2 Exiting Arrangements**

Before entering into partnership or executing a partnership agreement, all partners should ensure there is clarity about exiting arrangements - whether a partner leaves because of a decision on his/her own part, because of retirement, ill-health or because of expulsion? Is expulsion to be limited to situations where there has been serious misconduct on the part of one partner or might it also come into play because the other partners agree for strategic or practice development purposes that one or more partners should leave?

Are all the partners required to take out permanent health and other insurances so that, for instance, if a partner becomes seriously ill, arrangements are in place to ensure an income for that partner at a time when he/she is not contributing to fees? Has the partnership got “keyman” insurance to cover the risk of loss to the firm should one or more particular key partners become seriously ill or die.

### **3.3 Break and Review**

Committing to a partnership for an indefinite period is quite a daunting prospect. You may feel you can only decide this in the medium term. For instance, you may not yet have decided that the geographic location of the firm is necessarily where you want to live in the medium to long term. One option is to have a break clause after a few years when the terms of the partnership can be re-examined and when there will be an option to review the matter including exit from the partnership.

### **3.4 Premises and Other Property**

The premises out of which the firm operates may, or may not, be an asset of the partnership. In other situations, it is owned by one or more of the partners and rented to the firm, or it is simply rented from a third party. Be clear about the arrangement.

### 3.5 Other Terms

Other practical matters which are usually agreed upon are the following:

- Whether the firm appoints a managing partner with responsibility for administrative work, including regulatory and compliance requirements and thus has less client contact than other partners.
- Whether the hiring and firing of staff will be a matter for all the partners to agree on or just one.
- Whether there are specific arrangements for dissolution/termination.
- Whether there will be restrictive covenants prohibiting former partners who have exited the firm, practicing in the future within a certain radius of the firm.
- Whether the name of the firm will change if new partners join.

## 4. SUPPORT

### Consultants Who Assist Solicitors Setting Up Practices and Partnerships

Firm	Outsource
Type of Business	Consultants to professional service firms
People Involved	David Rowe,
Telephone	01 678 8490
Email	info@outsource-finance.com
Web	<a href="http://www.outsource-finance.ie/index.html">http://www.outsource-finance.ie/index.html</a>

Firm	Haydon Chartered Accountants
Type of Business	Firm of accountants
People Involved	Hilary Haydon
Telephone	01 2051700
Email	info@haydon.ie / <a href="mailto:hilary@haydon.ie">hilary@haydon.ie</a>
Web	<a href="https://haydon.ie/">https://haydon.ie/</a>

Firm	O Reilly Business Services
Type of Business	Accountants
People Involved	Mike O Reilly
Telephone	087 257 0923
Email	mikeoreilly@orbs.ie



## Appendix 1

### COMMENCEMENT IN PRACTICE FORM

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#### 1. Practice Details

Please state the exact date of commencement in practice: \_\_\_\_\_

Name of solicitor: \_\_\_\_\_

Practice name: \_\_\_\_\_

Practice address: \_\_\_\_\_

Telephone no: \_\_\_\_\_

Mobile no: \_\_\_\_\_

Email address: \_\_\_\_\_

Partners in practice: \_\_\_\_\_

Assistants in practice: \_\_\_\_\_

Previous practice  
address (if applicable): \_\_\_\_\_

Date of departure: \_\_\_\_\_

Status in previous practice:

<input type="checkbox"/>	Sole Practitioner
<input type="checkbox"/>	Partner
<input type="checkbox"/>	Assistant
<input type="checkbox"/>	Consultant

#### 2. Practising Certificate Details:

Do you hold a current practising certificate? ☐ Yes ☐ No

If no, please attach completed application form.

### 3. Professional Indemnity Insurance Details

Name of Insurer: \_\_\_\_\_

I enclose a copy of confirmation from my insurer/broker: Yes ☐ No ☐

*[Please tick [✓] if appropriate]*

### 4. Solicitors Accounts Regulations

Please state the financial year adopted by you: \_\_\_\_\_

Reporting accountant's name: \_\_\_\_\_

Reporting accountant's practice name: \_\_\_\_\_

Reporting accountant's address: \_\_\_\_\_

\_\_\_\_\_

Reporting accountant's telephone no: \_\_\_\_\_

Reporting accountant's professional qualification: \_\_\_\_\_

Is your proposed accountant engaged in public practice? Yes ☐ No ☐

Has he/she previously reported to the Society on a solicitors practice? Yes ☐ No ☐

If not, please enclose details of:

- (a) Accountant's professional qualifications
- (b) Copy of accountant's professional indemnity insurance cover
- (c) Copy of accountant's current practising certificate

### 5. Nominated Solicitor

You are required to nominate a solicitor with a current practising certificate with whom the Society can liaise in respect of your practice in the event of your untimely death or any other reason that might prevent you from continuing in practice:

Name and address of nominated solicitor: \_\_\_\_\_

\_\_\_\_\_

Please note that in the event that you change the nominated solicitor, you are required to notify the Society accordingly.

The Society recommends that all solicitors nominate a solicitor as one of their executors in their wills.

**6. Other**

I enclose a sample of my professional notepaper: Yes ☐ No ☐

*[Please tick [✓] if appropriate]*

Please state any queries which you would like the Society to deal with relating to your practice:

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**I confirm that the above details are correct and that I am familiar with the requirements of the Solicitors Accounts Regulations.**

**SIGNED:** \_\_\_\_\_

**\*SIGNED:** \_\_\_\_\_

**\*SIGNED:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**\*(In the case of a partnership, only one form should be submitted with each partner having signed the form)**

**PLEASE RETURN YOUR COMPLETED FORM TO:**

Mr Liam Barrett  
Practice Regulation Executive  
Regulation Department  
Law Society of Ireland  
George's Court  
George's Lane  
Dublin 7  
DX 1025 Four Courts

Tel: (01) 8798749

Email: [l.barrett@lawsociety.ie](mailto:l.barrett@lawsociety.ie)