



General and Limited Partnerships

1. Overview

Palau passed a new Corporations Act in 2021. Palau has now recently enacted new legislation for partnerships in December 2024. The new partnership legislation, officially called RPPL 11-40, is actually an amendment to the 2021 Corporations Act. Unfortunately, while the Corporations Act modernizes the law for corporations, the amendment governing partnerships merely copies the old partnership regulations into law. This means that there are no changes in the way partnerships are formed or managed during their life-cycle. Unfortunately, it also means that online filing is not permitted for partnerships. The only change in how partnerships will be administered is that the Financial Institutions Commission (FIC) will now be the Registrar for partnerships, replacing the Office of the Attorney General.

The remainder of this paper presents a general overview of partnerships in Palau. It does not provide legal, accounting or other advice. Should you have questions about partnerships you should consult with appropriate professionals to help guide your actions.

2. Types of partnerships recognized under the law

There are two types of partnership that are detailed in the law, the standard “general partnership” and then “limited partnerships.”

- A "general partnership" is defined as an association of two or more persons to carry on as co-owners a business for profit. "Person" includes individuals, partnerships, domestic or foreign limited partnerships, domestic or foreign limited liability companies, domestic or foreign corporations, trusts, business trusts, real estate investment trusts, estates and other associations or business entities. This means that a partnership can be made up of different types of partners.
- A limited partnership is a specialized entity that has at least one general partner and at least one limited partner. The key rule for limited partnerships is that the general partner has personal liability for partnership debts, but the limited partners do not. In practice this means that the limited partners are usually 'passive investors' that have put money into some venture and seek a return, but do not participate in running the business. It does not appear that as of January 2025 that there are any limited partnerships operating in Palau. If you are interested in forming a limited partnership FIC recommends that you contact local professionals to make certain all formalities are met and that you understand your responsibilities and potential liabilities under the law.

The law contains a single reference to “special” or “other” partnerships as well,¹ but with no supporting provisions in the law defining what these might be. There is also no standard definition of what these terms mean in American law. There are currently no special or “other” partnerships in Palau.

There is a special rule for when a husband and wife operate a business together. If a business tax return is filed by, or a license to do business is issued in the names of both, then the husband and wife are deemed to be in a partnership unless it can be proven otherwise. On the other hand, if the tax return is filed or the business licence issued in only one of their names, it is proof that the husband and wife are not in a partnership.

3. Filing with the FIC. The new Corporations Act allows for all corporate filings to be submitted online. Unfortunately, that reform does not extend to partnerships. However, the new online register that has been put in place for corporations is scalable. This means that it will allow Palau to add more entities into the register over time so that all business entity types can eventually be included in one register. FIC hopes that partnerships can one day be included in the online register.

FIC will not accept mailed-in forms. In order to file documents with the FIC, you must physically submit the forms to:

Financial Institutions Commission, Surangel & Sons Building, 2nd Floor, Ernguul Road, Ikelau, Koror, Palau.

4. Paying fees. A few partnership filings require payment of a filing fee. The fees must be paid at the National Treasury. Once you have made the payment you will receive a payment receipt which you will then provide to FIC to show that the payment has been made. FIC will then be able to accept your document for filing. If you are paying by check, make the check payable to: Palau National Treasury. When preparing to make a payment please visit or contact FIC Office to obtain a Transmittal to submit with your payment to the Palau National Treasury. This will assure the correct fee is paid and is credited to the proper FIC account.

5. Forming a partnership. Partnerships are formed amongst the partners. Whenever a partnership is formed, it must file a notice with the Registrar indicating its existence. Section 2001 of the new law sets out what must be on the notice of partnership existence:

- 1) The name of the partnership, which may not be the same as any existing partnership, corporation, or other registered entity;
- 2) The nature of the partnership (whether general, limited special or other);
- 3) The name, citizenship, and residence of each partner, and whether they are a general or limited partner (if a limited partnership has been formed);
- 4) The nature of partnership business;
- 5) The location (including mailing address and phone number) of the principal place of business of the partnership in the Republic;

¹ Section 2001(2).

- 6) The date the partnership was formed;
- 7) A declaration that no partners is either a minor or an incompetent person.

A registration statement must be acknowledged by each partner.

6. Change in partners. The law requires that whenever there is an appointment or withdrawal of a partner that must be reported to the Registrar within 30 days. Section 2006. This statement must be acknowledged by each partner added or withdrawn. If the partner that withdraws cannot be located (as would be the case if they have deceased), then that fact can be noted and the statement need not be signed by them. Special rules apply to limited partnerships for admission or withdrawal of partners, see Section 2045.

7. Change in partnership name. If a general partnership changes its name, it must report this to the Registrar within 30 days. Section 2004. There are special rules that apply if a limited partnership changes its name, see Section 2045.

8. Annual statement. All partnerships submit annual statements, which are due each June 30. The statements must present information "as of December 31 of the preceding year." If a partnership fails to file an annual return for 2 years, then the Registrar may cancel the certificate of registration. This cancellation does not relieve the partners of liabilities for failure to file the past due annual returns or any other statement/certificate required under the law. Section 2009. An annual statement must be "certified as correct" by at least one general partner.

9. Statement of dissolution. When a partnership dissolved it should file a statement of dissolution with the Registrar within 30 days of ceasing business. The statement should be acknowledged by all partners except where it is impossible to secure a signature. Section 2007.

10. Foreign partnerships. The law recognizes that foreign partnerships may conduct business in Palau. Section 2005. A foreign partnership must file a registration statement that contains the same information that is required of a Palau partnership, including the day it commenced business in Palau. Note: a foreign partnership must obtain approval from the Foreign Investment Board to conduct business in Palau.

11. Searching the files and obtaining copies. If you wish to research the file for any particular partnership, contact FIC. You may view the publicly available parts of the file for no charge during regular business hours, but FIC does need to know in advance which file(s) you seek to make sure that all records are available. You may also obtain copies of the publicly available papers that have been filed. There is a flat \$20 processing fee plus an additional \$1 per page up to a maximum of \$50 for copies. If you need copies, ask FIC to count the pages in the file so that the fee can be determined. You will the make the payment to the Palau National Treasury as described above and bring the payment receipt to FIC.