



## **LIABILITIES OF MANAGERS IN LIMITED LIABILITY PARTNERSHIPS**

With powers, duties and liabilities, it is common for many individuals to be unaware of the risks they are undertaking when becoming managers in a company. In limited liability partnerships (“**LLP**”), managers bear certain risks that are not always well known to them. This article aims to provide a very general overview on these risks.

Under Article 623 of the Turkish Commercial Code (“**TCC**”), in an LLP, at least one partner must have the management right of the LLP. If any manager of the LLP is a legal entity, that legal entity manager must appoint an individual as its representative, who can act on behalf of the legal entity manager. It is also possible to appoint third parties, who are not partners of the LLP, provided that at least one partner of the LLP is appointed as a manager.

According to Article 553 of the TCC, managers of an LLP are jointly liable for the losses of the company, the shareholders and the creditors of the company that occur due to breach of their duties arising from the law or the articles of association. If the LLP has more than one manager, these managers will be jointly liable. The joint liability of the managers will be shared in accordance with the fault of each manager.

Managers have a right to delegate some of their duties to a specific person. If a manager delegates its/his/her authority to a specific person, the manager will not be liable for the faults of the person who received the authority (provided that the manager acted with care while choosing this person).

Under the Tax Procedure Law, if an LLP fails to pay its tax debts to the tax authorities, the LLP’s managers may be personally liable for any unpaid tax. The relevant tax office will first initiate the collection procedure against the LLP and, if the tax due cannot be collected from the LLP, it will initiate the collection procedure against the manager(s). If the manager(s) can prove that it/he/she fulfilled its/his/her duty, then there the manager(s) will not be liable for the company’s unpaid tax.

Similarly, according to the Law on Collection of Public Receivables, the managers may be liable for payment of public receivables (e.g. social security premiums of employees) that

cannot be collected from the company. If the LLP fails to pay its social security premiums, even if the manager(s) prove(s) that it/he/she fulfilled all managerial duties, they will be liable for the unpaid public debts of the company.

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