PARTNERSHIP FIRM

A Partnership firm is a business entity created by persons who have agreed to share profits or loss of the business. Partnerships are a very good choice of business entity for small enterprises wherein two or more persons decide to contribute to a business and share the profits or losses. The owners of partnership business are called partners who manage and operate a business in accordance with the terms and objectives set out in the Partnership Deed. In India, partnerships are governed by the Indian Partnership Act, 1932. Registration is optional for Partnerships. There is no penal action for non-registration; but a registered firm enjoys certain rights over unregistered firm. A partnership can be registered even subsequent to its incorporation. A partnership can be formed with minimum two partners and maximum number is 50.

❖ Benefits of Registration

- ✓ A partner of an unregistered firm cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or right conferred by the Partnership Act.
- ✓ No suit to enforce a right arising from an agreement can be instituted in any Court by or on behalf of a firm against any third party unless the firm is registered.
- ✓ An unregistered firm or any of its partners cannot claim set-off or other proceedings in a dispute with a third party.

Therefore, any partnership should be registered sooner or later.

❖ Why Partnership?

Let's peep into benefits associated with partnership business.

- **Ease of Setup**

  A partnership is simple to begin. A partnership business can be formed with an unregistered deed. Besides, there is no mandatory requirement to register the partnership although registration brings some perks.

- **Minimum Compliance –**

  Compared to companies and LLPs, partnerships have relatively minimum compliance requirements. A partnership firm is not required to get its books of account audited under the Partnership Act. There are no requirements of conducting general meetings, annual filings, auditor appointments etc in case of a partnership.

- **Economical**

  In comparison to LLPs, companies etc., partnership has minimum statutory compliance thereby saving cost and effort.

- **Easy to wind up**
  Unlike corporate entities, where dissolution is a lengthy and costly process, partnership can be wound up at the will of the partners.

❖ **Word of Caution**

It's important understand the following disadvantages of a partnership

- **Unlimited Liability**
  A partnership has no separate legal existence. Liability of the partnership is unlimited as such the partners are personally liable for the debts of the business. Unlike proprietorship and partnership, corporate entities offer protection to investors from personal liability

- **Existence**
  The existence of the partnership is tied to the partners and has no separate legal existence. Accordingly, life of the partnership rests on its partners.

- **Limited Potential for Fund Raising and Growth**
  A partnership cannot raise equity funds from angel investors, venture capital firms or PE funds. Banks also tend to have restrictions on the amount of credit they can lend.

❖ **Documents Required for Registration**

- ✓ Identity proof of partners like PAN Card, Passport, Driver's License, Aadhar Card and Voter's ID
- ✓ Form No. 1 (Application for registration under Partnership Act)
- ✓ Original copy of Partnership Deed, signed by all partners
- ✓ Affidavit declaring intention to become partner
- ✓ Rental or lease agreement of the property/campus on which the business is set up (in case of rented property)
- ✓ Sale deed/ title deed of the place of business in case property is owned by one of the partners

❖ **Expected Delivery Time – 12-20 Days**

Deed Drafting & Signing 2 Days → PAN Card Allotment 3-4 Days → GST Registration 7-14 Days