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PARTNERSHIP FIRM FORMATION

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We work from Monday to Friday 10 a.m to 6 p.m

PARTNERSHIP FIRM FORMATION

A Partnership is a form of organization wherein two or more individuals/corporates agree to set up a business and agree to share ownership, as well as the profit of the business by entering into an agreement. Partnership firms are governed by the Indian Partnership Act, 1932.

Benefits of setting up a Partnership firm:

(What are the benefits of setting up a Partnership Firm?)

1. Setting up a Partnership rm is comparatively less expensive than setting up a Company.
2. As compared to a sole proprietorship concern, a Partnership rm has a separate legal entity.
3. Partnership rms have less legal compliances.
4. The functions, activities and working of the rm can be mutually decided by the partners.

Points to be considered while setting up a Partnership firm:

(Which factors should be considered when setting up a Partnership Firm?)

1. There should be at least 2 partners to set up a partnership firm.
2. The partners should be legally competent to enter into a contract and should be of the age 18 or above.
3. Place of business, business activity, purpose, name of firm and partners should be finalized before setting up of Partnership Firm.
4. Percentage of contribution, profit sharing of each partner should be decided.
5. Rights and responsibilities of each partner should be finalized.
6. Provisions for adding a new partner and exit of a partner should also be made.

7. Liabilities of partners are unlimited.
8. Every partner is liable for the debts or acts of the other partners. Which means that partners are jointly and severally (individually) liable for the partnership's debts i.e. a partner is jointly as well individually liable.
9. A Partnership firm has a less formal structure as compared to a Company.
10. All the terms and conditions of working of Partnership firm should be mutually decided by the Partners before entering into a Partnership Deed.
11. The final copy of the Partnership Deed should be kept in a secured place.

Registering Partnership firm:

(Why should you register your Partnership Firm?)

- It is advisable to register the partnership firm with the local registrar of firms as a registered firm enjoys the following advantages:
  a. Lending institutions prefer a registered Partnership Firm over a non-registered firm.
  b. The registered firm has legal rights in case of disputes.
  c. Organizations prefer to do business with a registered firm.
  d. As the partnership firm gets registered, the public at large will know the existence of the firm.
- While applying for registration, you have to remember that registration is a state-specific regulation. Which means that the process and documents required might change from state to state.

Steps to register a Partnership Firm (For the state of Maharashtra only).

(How to Register Partnership Firm in Maharashtra?)

- Create a user id and password on https://rof.mahaonline.gov.in and log in to the website.
- Select the option “Registration of Partnership firms”.
- Then an online application in Form No 1. is to be filed for registration of the firm.
- In the application, the applicant will have to specify the description of partnership firm i.e. details of partners, the business of the firm, etc.
- Once the application (i.e. Form no 1) is filled, it should be printed on a green ledger paper (a legal size green coloured paper) and it should be signed by all the partners.
- The above signed application should be submitted to the Registrar of Firms (RoF) office along with the required documents.
- After the application is submitted, the RoF department acknowledges the receipt of the application and then the application goes further for verification.
- If the department raises any objection, an objection letter is sent to the applicant on his email id.
- To clarify the objections, the applicant has an option to modify the original application on the website.
- After all the objections are cleared the applicant will receive a digitally signed copy of Certificate of Registration of Firm. It can be downloaded from the website.

List of documents for registering a Partnership firm in Maharashtra:

(Which documents are required to register a Partnership Firm in Maharashtra?)

A. Mandatory documents:

1. Application to be filed online for registration of Partnership Firm in Form A (On https://rof.mahaonline.gov.in/ website)
2. Covering letter along with Rs. 5/- Court Fee Stamp.
3. Certified Copy of the Partnership Deed (Certified by a C.A. or an Advocate) (Original is not to be submitted).
4. Certified copy of the Marathi translation of the Partnership Deed (Certified by a C.A. or an Advocate).
5. A blank stamp paper of Rs. 10/- or more in the name of Partner or firm.
6. Authority letter signed by all the Partners if the documents are submitted by a C.A or an Advocate.
7. Ownership proof of the place of business of the Partnership Firm.

B. Business-specific documents:

1. If Company is a partner in the firm then a Certified True Copy of Memorandum and Articles of Association of the Company and Board resolution is required.
2. If trust is a partner in the firm then Certified True Copy of the Trust Deed is required.
3. If the business of the firm requires a license from any Government Department, then such license is also required.

FAQ's

Q. What is the maximum limit for the number of Partners in a Partnership Firm?
A: There can be a maximum of 10 partners in case of banking partnership firms and a maximum of 20 partners for all the other types of partnership firms.

Q. Is registration of Partnership firm mandatory?

A: The Partnership Act, 1932 does not mandate registration of Partnership Firm. But it is advisable to get your firm registered.

Q. Is the registration process same all over India?

A: Registration process will change from state to state. Hence, you will have to confirm the registration process with the Registrar of Firm's office situated near your business location.

Q. Can another Partnership Firm or a Company become a partner in a firm?

A: Yes, a Partnership Firm or a Company can be a partner in a Partnership firm.

Q. Can a minor become a partner?

A: As per the Partnership Act 1932, a minor cannot become a partner. But, with the consent of all the partners of the firm, and through an agreement executed between the minor's guardian and other partners, the minor can be admitted to the benefits of the partnership firm.

CHARACTERISTICS OF VARIOUS BUSINESS ENTITIES

Characteristics	Proprietary Concern	Partnership Firm	LLP	OPC	Pvt. Ltd. Company
Legal Entity	No separate legal entity	Separate legal entity	Separate legal entity	Separate legal entity	Separate legal entity
Governing Act	No specific act	Indian Partnership Act,1932	LLP Act, 2008	Companies Act, 2013	Companies Act, 2013
Liability	Unlimited	Unlimited	Limited	Limited	Limited
No. of Members	One person can form	2 or more partners, 10 for banking, 20 for non-banking	2 or more partners	1 Member and 1 nominee	Max 200 members
Succession	Legal Heir	Remaining partners and legal Heir of Deceased partner with the consent of other partners	Remaining partners	Nominee (A company has perpetual succession)	A company has perpetual succession.

Characteristics	Proprietary Concern	Partnership Firm	LLP	OPC	Pvt. Ltd. Company
Dissolution	The proprietor has the sole authority	With the consent of partners	With the consent of partners	Legal procedures for winding up or liquidation as the case may be	Legal procedures for winding up or liquidation as the case may be
Filing of financials with regulatory authorities	Not Applicable	Not Applicable	Financial statements are to be filed annually with Registrar of Companies	Financial statements are to be filed annually with Registrar of Companies	Financial statements are to be filed annually with Registrar of Companies
Filing of forms for the creation of charge (in case of loans taken).	No legal formalities	No legal formalities	Required to file adequate forms with Registrar of Companies	Required to file adequate forms with Registrar of Companies	Required to file adequate forms with Registrar of Companies

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Thank you so much for choosing our checklist!
We genuinely hope it becomes your guiding star on your exciting journey into the world of entrepreneurship.



Wish you All the Best for your journey!

Should you require any further assistance, please feel free to reach out, and we will be delighted to assist you!

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