

Quick Guide
Which form of business is right for you in India?

Setting up a new business in India? You may choose one of the several forms of organization. Which one is right for you? Check out the comparison below.

Features	Company (Corporation)			Limited Liability Partnership	Partnership Firm	Sole Proprietorship
	Public Company	Private Company	One Person company			
Owners	Shareholders	Shareholders	One Shareholder	Partners	Partners	Individual Proprietor
Liability of owners	Limited. No personal liability for company's losses unless obligated through a separate agreement.	Limited. No personal liability for company's losses unless obligated through a separate agreement.	Limited. No personal liability for company's losses unless obligated through a separate agreement.	Limited. No personal liability for company's losses unless obligated through a separate agreement.	Unlimited Liability for all partners for firm's debts and losses	Unlimited Liability for Proprietor
Perpetual Existence	Yes	Yes	Yes	Yes	No	No
Separate Legal Entity	Yes	Yes	Yes	Yes	No	No
Minimum Number of Owners	Seven	Two	One	Two	Two	One
Maximum Number of Owners	Unlimited	Two Hundred	Not Applicable	Unlimited	20 partners for non-banking business and 10 partners for banking business	Not Applicable



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	Public Company	Private Company	One Person company			
Management & Control	Board of Directors (need not be shareholders)	Board of Directors (need not be shareholders)	Only one Director	Designated Partners	Partners	Proprietor
Minimum Number of Directors / Partners	Three	Two	One	Two	Not Applicable	Not Applicable
Maximum Number of Directors / Partners	Fifteen	No Limit	Not Applicable	No Limit	Not Applicable	Not Applicable
Indian Resident Director / Partner	One	One	One	One	Not Applicable	Not Applicable
Charter Documents	Memorandum of Association & Articles of Association	Memorandum of Association & Articles of Association	Memorandum of Association & Articles of Association	Limited Liability Partnership Agreement	Partnership Deed	No Charter Documents required
Capital Requirement	Minimum ₹ 500,000	Minimum ₹ 100,000	Minimum ₹ 100,000	No requirement	No requirement	No requirement
Ease of formation	Detailed and complex	Somewhat detailed and complex	Somewhat detailed and complex	A bit detailed and complex	Easy	Very easy
Registration	Mandatory	Mandatory	Mandatory	Mandatory	Optional	Optional
Registration Authority	Registrar of Companies	Registrar of Companies	Registrar of Companies	Registrar of Companies	Registrar of Firms, under State Governments	Trade License required from local authorities

GANDHI & GANDHI

CHARTERED ACCOUNTANTS

1002 Paigah Plaza, Basheerbagh, Hyderabad 500063 India Ph: +91-40-67018000 Fax: +91-40-23237318 email: info@gandhis.com
www.gandhis.com

Features	Company(Corporation)			Limited Liability Partnership	Partnership Firm	Sole Proprietorship
	Public Company	Private Company	One Person company			
Cost of Formation / Registration	Depends on quantum of capital etc	Depends on quantum of capital etc	Depends on quantum of capital etc	Insignificant but depends on quantum of capital etc	Insignificant	None
Perception	Of a largish business	Of a mid-sized business / Small Business	Of a small business	Of a small business	Of a small business	Of a very small business
Audit of Accounts	Mandatory under company law and if turnover exceeds specified limits under tax laws	Mandatory under company law and if turnover exceeds specified limits under tax laws	Mandatory under company law and if turnover exceeds specified limits under tax laws	Mandatory under tax laws if turnover exceeds specified limit	Mandatory under tax laws if turnover exceeds specified limit	Mandatory under tax laws if turnover exceeds specified limit
Annual Members Meetings(AGM)	Mandatory	Mandatory	Optional	No Requirement	Not Applicable	Not Applicable
Filing of Annual Accounts	E-filing Mandatory	E-filing Mandatory	E-filing Mandatory	E-filing Mandatory	No such requirement	No requirement
Income taxed @	30% plus surcharge	30% plus surcharge	30% plus surcharge	30% plus surcharge	30% plus surcharge	Progressive rates applicable to individuals, clubbed with other incomes
Distribution of Profits	Possible. Distributed profits taxed @ 19.99%	Possible. Distributed profits taxed @ 19.99%	Possible. Distributed profits taxed @ 19.99%	Pass-through taxation. Distributed profits not taxed in hands of partners	Pass-through taxation. Distributed profits not taxed in hands of partners	Only one charge of tax, on total income clubbed with other incomes

Last edited on 31st December 2014



Features	Company(Corporation)			Limited Liability Partnership	Partnership Firm	Sole Proprietorship
	Public Company	Private Company	One Person company			
Transferability of shares	Freely transferable only if publicly listed company. Else, not freely transferable	Not freely transferable	Not Freely transferable. Automatic transfer to Nominee under specified situations	Not freely transferable	Not freely transferable	Not Applicable
Closure / Dissolution	Complex and expensive	Somewhat complex and expensive	Somewhat complex and expensive	Somewhat complex and expensive	Simple process	Simple Process
Changes to Charter Documents	Permitted, with detailed documentation and approval	Permitted, with detailed documentation and approval	Permitted, with detailed documentation and approval	Permitted, with simple documentation and approval	Permitted, with simple documentation	Not Applicable
Governing Law	The Companies Act 1956 / Companies Act 2013	The Companies Act 1956 / Companies Act 2013	The Companies Act 1956 / Companies Act 2013	The Limited Liability Act 2008	The Partnership Act 1932	Applicable Laws

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