

# COMMON LEGAL STRUCTURES IN INDIA AND STEP BY STEP PROCESS



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# COMMON LEGAL STRUCTURES OF STARTING A “BUSINESS” IN INDIA

IN JUST 3 PHASE



**PHASE – 1:** UNDERSTANDING VARIOUS ENTITY STRUCTURES IN INDIA AND THEIR DIFFERENCES.



**PHASE – 2:** STEP BY STEP PROCESS OF EACH ENTITY FORMATION



**PHASE – 3:** COMMON POINTS TO TAKE CARE AFTER LEGAL SET UP

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## PHASE - 1



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\* Other entity structure like HUF, Trust, Co-operative Societies, AOP, BOI, OPC etc. are also there

# PHASE - 1

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Sr.	Questions	Incorporated as			
		Non-Corporate Entities		Corporate Entities	
		Individual / Proprietorship	Partnership Firm	LLP	Private Limited Company
1	Nature or Definition ?	Single Person is a owner running a business - Same PAN Card of Individual no new apply	Two or More person comes together as Owner for running a business - Separate PAN card of Partnership Firm	Just like Partnership firm but given corporate Status like Company - hybrid combination of Partnership and Company features - Separate PAN card of LLP	Concept of Shareholders and Directors with Limited Liability - Separate PAN card of Company
2	Number of Owners	Sole Owner - 1	Minimum - 2 Maximum - 50	Minimum - 2 Maximum - Unlimited	Minimum - 2 Maximum - 200
3	Person who starts the entity would be called as?	Person would be called as "Proprietor"	Persons would be called as "Partners"	Persons would be called as "Partners" and specified person as "Designated Partner"	They became "shareholder" and those managing as "Director"
4	Liability is Limited or Unlimited ?	Unlimited Liability	Unlimited Liability	Limited Liability of Partners	Limited Liability of Shareholders
5	Separate Legal Entity	NA	No	Yes	Yes
6	Any Document to be prepared?	No such	Partnership Deed	LLP Deed	MOA and AOA
7	Which Act governs this	No such specific Act	Indian Partnership Act, 1932	Limited Liability Partnership Act, 2008	Companies Act, 2013
8	Income Tax	As per Slab rate	30% after Partners remuneration and Interest	30% after Partners remuneration and Interest	25%



## PHASE – 2: STEP BY STEP PROCESS OF EACH ENTITY FORMATION

### (A) PROPRIETORSHIP FIRM

- APPLY PAN CARD & ADHAR CARD OF INDIVIDUAL
- DECIDE THE FIRM NAME
- PREPARE A REGISTERED RENT AGREEMENT MENTIONING YOUR FIRM NAME AS “TENANT” WITH POLICE VERIFICATION
- APPLY FOR SHOP AND ESTABLISHMENT LICENCE
- APPLY FOR PROFESSIONAL TAX LICENCE OF FIRM
- APPLY FOR CURRENT BANK ACCOUNT
- APPLY FOR MSME CERTIFICATE
- APPLY FOR REQUIRED LICENCE / APPROVAL FROM YOUR INSTITUTE LIKE FOR ARCHITECT – COA (COUNCIL OF ARCHITECTURE) TO PRACTICE

**DURATION – 10 TO 15 DAYS**

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## PHASE – 2: STEP BY STEP PROCESS OF EACH ENTITY FORMATION

### (B) PARTNERSHIP FIRM

- APPLY PAN CARD & ADHAR CARD OF ALL PARTNERS
- DECIDE THE FIRM NAME
- **PREPARE A PARTNERSHIP DEED AND NOTARISED IT**
- **APPLY FOR PAN CARD OF FIRM**
- **APPLY FOR TAN CARD OF FIRM**
- PREPARE A REGISTERED RENT AGREEMENT MENTIONING YOUR PARTNERSHIP FIRM NAME AS “TENANT” WITH POLICE VERIFICATION
- **REGISTERED YOUR PARTNERSHIP FIRM WITH ROF (REGISTRAR OF FIRM) - RECOMMENDATION**
- APPLY FOR SHOP AND ESTABLISHMENT LICENCE
- APPLY FOR PROFESSIONAL TAX LICENCE OF FIRM
- APPLY FOR CURRENT BANK ACCOUNT
- APPLY FOR MSME CERTIFICATE
- APPLY FOR REQUIRED LICENCE / APPROVAL FROM YOUR INSTITUTE IF REQUIRED LIKE FOR ARCHITECT – COA (COUNCIL OF ARCHITECTURE) TO PRACTICE

**DURATION – 15 TO 20 DAYS**

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## PHASE – 2: STEP BY STEP PROCESS OF EACH ENTITY FORMATION

### (C) LLP (LIMITED LIABILITY PARTNERSHIP)

- APPLY PAN CARD & ADHAR CARD OF ALL PARTNERS
- **DECIDE THE LLP NAME & APPLY WITH MCA FOR NAME APPROVAL**
- **INCORPORATE LLP WITH MCA**
- **PREPARE A NOTARISED LLP DEED AND FILED WITH MCA**
- APPLY FOR PAN CARD
- APPLY FOR TAN CARD
- PREPARE A REGISTERED RENT AGREEMENT MENTIONING YOUR LLP NAME AS “TENANT” WITH POLICE VERIFICATION
- APPLY FOR SHOP AND ESTABLISHMENT LICENCE
- APPLY FOR PROFESSIONAL TAX LICENCE OF LLP
- APPLY FOR CURRENT BANK ACCOUNT
- APPLY FOR MSME CERTIFICATE
- APPLY FOR REQUIRED LICENCE / APPROVAL FROM YOUR INSTITUTE IF REQUIRED LIKE FOR ARCHITECT – COA (COUNCIL OF ARCHITECTURE) TO PRACTICE

**DURATION – 20 TO 25 DAYS**

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## PHASE – 2: STEP BY STEP PROCESS OF EACH ENTITY FORMATION

### (D) PRIVATE LIMITED COMPANIES

- APPLY PAN CARD & ADHAR CARD OF ALL SHAREHOLDERS AND DIRECTORS
- **APPLY FOR DIGITAL SIGNATURE OF ALL SHAREHOLDERS AND DIRECTORS**
- **DECIDE THE COMPANY NAME & APPLY WITH MCA FOR NAME APPROVAL**
- **PREPARE DRAFT MOA AND AOA**
- **INCORPORATE COMPANY WITH MCA (PAN AND TAN CARD COMES AUTOMATICALLY WITH INCORPORATION)**
- **PAY THE STAMP DUTY ON SHARE CERTIFICATE TO RESPECTIVE STATE GOVERNMENT**
- PREPARE A REGISTERED RENT AGREEMENT MENTIONING YOUR COMPANY NAME AS “TENANT” WITH POLICE VERIFICATION
- APPLY FOR SHOP AND ESTABLISHMENT LICENCE
- APPLY FOR PROFESSIONAL TAX LICENCE OF COMPANY
- APPLY FOR CURRENT BANK ACCOUNT
- APPLY FOR MSME CERTIFICATE
- **SOME INSTITUTE LIKE FOR ARCHITECT TO PRACTICE – COA (COUNCIL OF ARCHITECTURE) DOES NOT ALLOW TO FORM A COMPANY**

**DURATION – 25 TO 30 DAYS**

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## PHASE – 3: COMMON POINTS TO TAKE CARE AFTER LEGAL SET UP

- APPLY FOR GST CERTIFICATE – IF TURNOVER IS MORE THAN RS.20 LAKHS FOR SERVICES AND RS.40 LAKHS FOR GOODS. YOU CAN EVEN APPLY VOLUNTARY ALSO FOR VARIOUS REASONS
- APPLY FOR TRADEMARKS / PATENTS / DESIGNS / COPYRIGHTS – IPR  
<https://ipindia.gov.in/> <https://copyright.gov.in>
- APPLY FOR PROFESSIONAL TAX NUMBER OF EMPLOYEES – EVEN IF ONE EMPLOYEE
- APPLY FOR ESIC & PF – IF CROSSED THE THRESHOLD FOR NUMBER OF EMPLOYEES
- APPLY FOR IEC (IMPORT EXPORT CODE) – IF EXPORT GOODS OR SERVICES
- PREPARE NDA OR OTHER VARIOUS AGREEMENTS WITH CLIENTS, EMPLOYEES, VENDORS ETC.
- APPLY FOR STARTUP PROGRAM IF ALL CONDITIONS ARE FULFILLED
- MAINTAIN PROPER BOOKS OF ACCOUNTS AND KEEP INVOICES OF EACH PAYMENTS AND RECEIPTS – **COMPULSORY FOR EACH ENTITY**

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Thank You.

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