

Comparative analysis of various forms of Organization

A business organization can be incorporated/ registered in different forms depending upon the requirement, structure, compliance etc. Partnership Firm, Limited Liability Partnership and Private Company are some of the common forms of business organization in India and in order to choose which type of organization is to be incorporated, it is required to understand the pros and cons of each such organization to ensure that the decision is taken keeping into consideration the structure of the business and its future plans. Mentioned below are differences in a tabular manner which would help in choosing the most apt form of organization depending upon the requirement of the business owners.

SR. NO.	PARTICULARS	PARTNERSHIP FIRM	LIMITED LIABILITY PARTNERSHIP	PRIVATE COMPANY
1.	Name of entity	No specific requirement	Name should end with the suffix "LLP"	Name should end with the suffix "Private Limited"
2.	Number of partners/ members	Min- 2 partners Max- Not defined under the Partnership Act, 1932. However, as per section 464 of the Companies Act, 2013, maximum number of partners shall be 100	Min- 2 partners Max- No limit mentioned	Min- 2 members Max- 200 members
3.	Governing body for registration	Registrar of firms (ROF)	Ministry of Corporate Affairs (MCA)	Ministry of Corporate Affairs (MCA)
4.	Tax liability	Income of Partnership is taxed at a flat rate of 30% plus surcharge and education cess as applicable.	Income of LLP is taxed at a flat rate of 30% plus surcharge and education cess as applicable.	Income of Company is taxed as follows: Domestic Company: <ul style="list-style-type: none"> • flat rate of 25%- where its total turnover or gross receipt during the financial year 2017-18 does not exceed Rs. 400 crores. • flat rate of 30%- any other domestic company

				along with the surcharge and cess as applicable. Also, there is special tax as mentioned in the annexure. Foreign Company- 40% plus surcharge and cess as applicable
5.	Due date for ITR filing	No audit requirement - July 31 Where audit is required - October 31	No audit requirement - July 31 Where audit is required - October 31	Audit/ no Audit -October 31 Where Transfer Pricing is applicable- November 30
6.	Annual Filings	NA	Annual form filing in Form 8 and Form 11 by 31 st October and 31 st May respectively.	Annual form filing in Form AOC-4 and Form MGT-7 within 30/60 days of the Annual General Meeting (AGM)
7.	Annual Compliances	NA	NA	Yes, companies are required to comply with annual compliances like preparing Directors' Report, convening of AGM, filing of directors' KYC forms etc.
8.	Transfer of share/interest of partner/ member	Partnership deed is required to be amended	LLP agreement is required to be amended	Share transfer deed in Form SH-4 is required to be executed
9	Liability of partners/ members	Unlimited liability	Limited liability	Limited only up to the amount unpaid on shares
10.	Foreign Direct Investment (FDI)	Not allowed	Allowed subject to sectoral norms	Allowed subject to sectoral norms
11.	Director Identification Number (DIN)	Not required	Required to be taken by all partners	Required to be taken by all partners

12.	Governing law	Partnership is governed by ' The Partnership Act, 1932 ' and various rules made thereunder	Limited Liability Partnership is governed by ' The Limited Liability Partnership Act, 2008 ' and various rules made thereunder	Companies are governed by ' The Companies Act, 2013 ' and various rules made thereunder
13.	Perpetual Succession	It does not have perpetual succession as succession depends upon the will of partners	It has perpetual succession and partners may come and go	It has perpetual succession and members may come and go
14.	Charter documents	Partnership Deed is a charter of the firm which denotes its scope of operation and rights and duties of the partners	LLP Agreement is a charter of the LLP which denotes its scope of operation and rights and duties of the partners vis-à-vis LLP	Memorandum and Articles of Association are the charter of the company that defines its scope of operations
15.	Ownership of assets	Partners have joint ownership of all the assets belonging to partnership firm	The LLP is independent of the partners and has ownership of the assets	The company is independent of the members and has ownership of the assets
16.	Legal Proceedings	Only registered partnership can sue third parties	LLP is a legal entity which can sue and be sued	Company is a legal entity which can sue and be sued
17.	Digital Signature	Digital signatures of partners of partners are only required for income tax, GST and other compliances.	As e-forms are filled electronically with the Registrar of LLP, at least two designated partners should have digital signatures. Also, it is required for income tax, GST and other compliances.	As e-forms are filled electronically with the Registrar of Companies, at least one director should have digital signature. Also, it is required for income tax, GST and other compliances.
18.	Dissolution	By agreement, mutual consent, insolvency, certain contingencies, and by court order	Voluntary or by order of National Company Law Tribunal	Voluntary or by order of National Company Law Tribunal
19.	Admission as partner/member	A person can be admitted as a partner as per the Partnership Agreement	A person can be admitted as a partner as per the LLP Agreement	A person can become member by buying shares of a company.

20.	Cessation as partner/ member	A person can cease to be a partner as per the Partnership Agreement	A person can cease to be a partner as per the LLP Agreement.	A member can cease to be a member by transferring his shares.
21.	Statutory Meetings	There is no provision regarding holding of any meeting	There is no provision regarding holding of any meeting unless the same is mentioned in the LLP Agreement.	Company is required to conduct 4 board meetings and 1 general meeting annually as per law
22.	Responsibility of managing business	Partners themselves administer the business	Designated Partners are responsible for managing the day to day business and other statutory compliances	Directors are appointed to manage the business and other statutory compliances on behalf of the company
23.	Voting Rights	It depends upon the Partnership Agreement	Voting rights shall be as decided as per the terms of LLP Agreement	Each shareholder has a voting right on every resolution placed before the company. In case of poll, voting rights shall be in proportion to the number of shares held
24.	Maintenance of Minutes	There is no concept of minutes, since the holding meetings of partners is not required	By virtue of the LLP agreement, the partners may decide to record the proceedings of meetings of the Partners/ Designated Partners via minutes	The proceedings of meeting of the board of directors/ shareholders are statutorily required to be recorded in minutes and minute books need to be maintained.
25.	Remuneration	Remuneration to partners will be as per the provisions of the Partnership Agreement.	Remuneration to partners will be as per the provisions of the LLP Agreement.	Company can pay remuneration to its directors, subject to the provisions of law.
26.	Maintenance of Statutory Records	Required to maintain books of accounts as per various legislations	Required to maintain books of accounts as per the LLP Act and other legislations	Required to maintain books of accounts, statutory registers, minutes etc as per Companies Act, 2013 and other legislations

27.	Contracts with Partners /Director	Partners are free to enter into contract	Partners are free to enter into contracts	Restrictions on Board regarding some specified contracts, in which directors are interested
28.	Ownership	The ownership of the partners in the firm is evidenced by Partnership Deed, if any	The ownership of the partners in the firm is evidenced by LLP Agreement	Share Certificates and entry of the shareholders in the register of members are proof of ownership of shares held by the members in the Company
29.	Audit of accounts	Partnership firms are only required to get the tax audit conducted as per the provisions of the Income Tax Act, 1961	All LLPs except for those having turnover less than Rs.40 Lacs or Rs.25 Lacs contribution in any financial year are required to get their accounts audited annually as per the provisions of LLP Act, 2008 along with tax audit as per provisions of the Income Tax Act, 1961	All companies are required to get their accounts audited annually as per the provisions of the Companies Act, 2013 along with tax audit as per provisions of the Income Tax Act, 1961
30.	Applicability of Accounting Standards.	Limited accounting standards are applicable	Limited accounting standards are applicable	Companies must mandatorily comply with accounting standards
31	Compromise/ arrangements / merger / amalgamation	Partnership cannot merge with other firm or enter into compromise or arrangement with creditors or partners Partnership firms cannot merge/ amalgamate with a company	LLP's can enter into Compromise / arrangements between a limited liability partnership and its creditors or between a limited liability partnership and its partners LLP's cannot merge/ amalgamate with a company	Companies can enter into Compromise / arrangements / mergers / amalgamations
32	Conversion	Partnership can be converted into LLP and Company	LLP can be converted into Company	Company can be converted into LLP

It is very crucial to identify the right organizational structure to help operations run smoothly without any organizational hinderances in in terms of compliances, carrying out day to day operations, meetings, taxation, business environment etc. thus ensuring better performance.

Annexure

Special Tax rates applicable to a domestic company

The special Income-tax rates applicable in case of domestic companies for assessment year 2020-21 and 2021-22 are as follows:

Domestic Company		
	Assessment Year 2020-21	Assessment Year 2021-22
◆ Where it opted for Section 115BA	25%	25%
◆ Where it opted for Section 115BAA	22%	22%
◆ Where it opted for Section 115BAB	15%	15%



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