

Lesson 8: Types of Business Entities

1. Types of Business Entities- Overview

Sole Proprietor-ship	<ul style="list-style-type: none"> • Wherein one person owns all the assets of the business. • No legal formalities are required other than an appropriate licensing to conduct a business.
Partnership Firm	<ul style="list-style-type: none"> • Partnership firms are created by drafting a partnership deed among the partners. • The partnership deed is registered to make a firm. • Partnership firms in India are governed by the Indian Partnership Act, 1932. • Maximum no. of partners in a partnership firm can be 20 partners. • Profit & Loss are shared in manner as agreed in the partnership deed.
Hindu Undivided Family	<ul style="list-style-type: none"> • A Hindu family can come together and form a HUF. • HUF is taxed separately from its members. • One can save taxes by creating a family unit and pooling in assets to form a HUF. • HUF has its own PAN and files tax returns independent of its members.
Limited Liability Partnership	<ul style="list-style-type: none"> • An alternate corporate business entity that provides the benefits of limited liability of a company. • On the other hand, it allows its members the flexibility of organising their internal management on the basis of a mutually-arrived agreement as in the case in a partnership firm. • Governed under by Limited Liability Partnership Act, 2008.
One Person Company (OPC)	<ul style="list-style-type: none"> • An OPC means a company with only one person as a member/shareholder. • In case of death/incapacity of original stakeholder, the nominee of deceased member/shareholder shall become a shareholder of an OPC.
Section 8 Company	<ul style="list-style-type: none"> • Section 8 company registered under the Companies Act, 2013 established for promoting commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object. • The profits (if any) or other income of Section 8 Companies is applied for promoting only the objects of the company. • No dividend is paid to its members.
Private Company	<p>Private company is a company which has the following characteristics:</p> <ul style="list-style-type: none"> • Shareholders right to transfer shares is restricted • Minimum number of 2 members in company • Number of shareholder is limited to 200 • An invitation to the public to subscribe to any shares or debentures or any type of security is prohibited.
Public Company	<p>A public company is a company which has the following characteristics:</p> <ul style="list-style-type: none"> • Shareholders right to transfer share; is not restricted • Minimum 7 members • An invitation to the public to subscribe to any shares or debentures or any type of security is permitted.

2. Sole Proprietorship

Meaning	<ul style="list-style-type: none">• Sole Proprietorship is a form of business that is owned, managed and controlled by an individual.• Sole Proprietorships own all the assets of the business.• Sole Proprietor and the business are one and the same.• He has day-to-day responsibility for running the business.• He has to arrange capital for the business and he alone is responsible for its management.
Advantages of Sole Proprietorship	<ul style="list-style-type: none">• Easy formation.• Better Control.• Sole beneficiary of Profits.• Benefits of small-scale operations.• Inexpensive Management.
Disadvantages of	<ul style="list-style-type: none">• Limitation of management skills.• Limitation of Resources.• Unlimited Liability.• Lack of continuity.
Procedure for Formation of Sole Proprietorship Firm	<p>Sole Proprietor is formed, managed and controlled by one individual. No deed/agreement is required to constitute Sole Proprietorship. However, in actual practice and keeping in mind the nature of business activity, registration may be required under the following enactments as prevailing in the respective States or of the Central Government, such as:</p> <ul style="list-style-type: none">▪ Shops and Commercial Establishments Act (State specific).▪ Law relating to Professional Tax (State specific).▪ Registration under Micro, Small and Medium Enterprises Development Act, 2006.▪ Registration as a Small Scale Industry (State specific).▪ GST Registration (with the launch of GST, only GSTIN will be used for Import-Export Code Number)▪ Intellectual Property laws.

3. Partnership

Definition	<p>As per Section 4 of Indian Partnership Act, 1932,</p> <p>“Partnership” is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Persons who have entered into partnership with one another are called individually, “partners” and collectively “a firm” and the name under which their business is carried on is called the “firm-name”.</p>
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Features of Partnership	<ul style="list-style-type: none"> • Existence of an agreement. • Engagement in business. • Sharing of profits and losses. • Agency relationship. • Unlimited Liability. • Common Management. • Restriction on transferability of share.
Advantages of Partnership	<ul style="list-style-type: none"> • Ease in Formation • Pooling of financial resources. • Pooling of managerial stalls. • Balanced business decisions. • Shared risks.
Disadvantages of Partnership	<ul style="list-style-type: none"> • Uncertainty of existence. • Risks of implied authority. • Difficulty in withdrawal from the firm. • Lack of institutional confidence. • Difficulties of expansion.
Key Ingredients of Partnership Deed	<ul style="list-style-type: none"> • Definitions and vital information. • Investment. • Accounting. • Duties, powers and obligations of the partners. • Withdrawals. • Expulsion. • Dissolution. • Arbitration.
Types of Partnership	<ul style="list-style-type: none"> • Partnership at-will. • Particular Partnership. • Partnership for a fixed duration.
Types of Partners	<ul style="list-style-type: none"> • Active Partners: Partners who take active part in the conduct of day-to-day business of the firm are called active partners. These partners carry on business on behalf of the other partners. • Sleeping or dormant partners: Sleeping or dormant partners are those who do not take active part in the management of the business. Such partners only contribute capital in the firm and are bound by the activities of other partners. However they share in the profits and losses of the business. • Nominal Partners: Nominal partners are those who do not have interest in the business but lend their name to the firm. They do not make any capital contribution and are not entitled to take part in management but are liable like other partners to third parties. • Partners by holding out: If a person by his words or conduct holds out to another that he is a partner. He will be prevented from denying that he is not a partner. The person becomes liable to third parties to pay the debts of the firm is known as a partner by holding out.

4. LLP- Features, Advantages and Disadvantages

Meaning	LLP Firm structure is regulated in India by The Limited Liability Partnership Act, 2008. An LLP Firm needs minimum two partners. It also requires minimum two Designated Partners out of which at least one should be resident of India. The two partners can also be appointed as Designated Partners.
Features	<ul style="list-style-type: none">• Low Start-up Cost.• Relevant for Non-Scalable Businesses.• Less Compliance.• Loans to partners are also not taxable as income.• No limit to the number of partners in an LLP.
Advantages of LLP	<ul style="list-style-type: none">• Easy to Form and Winding-up: Forming an LLP is an easy and less complicated as well as time consuming process. Also, easier to winding-up an LLP as compared to a private limited company.• Perpetual succession: Life of the Limited Liability Partnership is not affected by death, retirement or insolvency of the partner.• Easy transferability of ownership: There is no restriction upon joining and leaving the LLP.• Taxation: An LLP is not subject to Dividend Distribution Tax (DDT). For Income Tax purposes, LLP is treated on par with partnership firms.• Liability: Partners of the LLP is having limited liability which means partners are not liable to pay the debts of the company from their personal assets.• No compulsory audit required: Every business has to appoint an auditor for checking the internal management of the company and its accounts. However, in the case of LLP there is no mandatory audit required.• Less compliance requirements: An LLP is much easier and cheaper to run than a private limited company as there are just three compliances per year.• Flexible agreement: The partners are free to draft the agreement with regard to their rights and duties.
Disadvantages of LLP	<ul style="list-style-type: none">• Restricted Access to Capital Markets.• Rights of partners.• Public Disclosure of LLP Information.• Limitations in Formation of LLP.• Exit Options are not easy for LLPs in Default of filings.• Limited Liability Partnerships are not allowed to raise ECB.• Non-compliance on procedural matters such as delay in filing of e-forms cause in payment of default fee for every day for which the default continues.

5. OPC- Meaning, Exemptions, Advantages and Disadvantages

Meaning	OPC means a company with only one person as a member, shareholder can make only one nominee, he shall become a shareholder in case of death / incapacity of original stakeholder.	
Exemptions	Relevant Section	Nature of Privileges
	Section 2(40) of Companies Act, 2013: Definition of Financial Statement	The financial statement with respect to One Person Company may not include the cash flow statement.
	Section 67(2) of Companies Act, 2013: Restriction on purchase by company or giving of loans by its for purchase of its shares.	Financial assistance can be taken by the member from the OPC for purchase of or subscribing to its own shares.
	Section 92(1) of Companies Act, 2013: Annual Return	The annual return shall be signed by the company secretary or where there is no company secretary by the director of the Company. In other words, it need not be signed by a company secretary in practice.
	Section 96(1) of Companies Act, 2013: Annual General Meeting	Need not hold annual general meeting.
	Section 121(1) of Companies Act, 2013: Report on Annual General Meeting	Need not prepare a report on Annual General Meeting.
	Section 122(1) of Companies Act, 2013: Applicability of this chapter to One Person Company	The provisions of Section 98 and Sections 100 to 111 (both inclusive) shall not apply to a One Person Company.
	Section 122(3) of Companies Act, 2013: Applicability of this Chapter to One Person Company	For any business which is required to be transacted at an annual general meeting or other general meeting of a company by means of an ordinary or special resolution, it shall be sufficient if in case of One Person Company, the resolution is communicated by the member to the company and entered in the minutes-book required to be maintained under section 118 and signed and dated by the member and such date shall be deemed to be the date of the meeting for all the purposes under this Act.
	Section 122(4) of Companies Act, 2013: Applicability of this	Where there is only one director on the Board of Director of a One Person Company and any business is required to be transacted

	chapter to One Person Company	at the meeting of the Board of Directors of the company, it shall be sufficient if, in case of such One Person Company, the resolution by such director is entered in the minutes-book required to be maintained under Section 118 and signed and dated by such director and such date shall be deemed to be the date of the meeting of the Board of Directors for all purposes under this Act.
	Section 134(1) of Companies Act, 2013: Financial statement, Board's Report, etc.	Financial statement and Board's report can be signed only by one director.
	Section 134(3)(p) of Companies Act, 2013: Financial statement, Board's Report, etc.	Need not prepare a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;
	Section 134(4) of Companies Act, 2013: Financial statement, Board's Report, etc.	In case of a One Person Company, Board's report shall mean only a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.
	Section 137(1) of Companies Act, 2013 (Third proviso): Copy of financial statement to be filed with Registrar	File a copy of the financial statements duly adopted by its member along with all the documents which are required to be attached to such financial statements within 180 days from the closure of the financial year.
	Section 149(1) of Companies Act, 2013: Company to have Board of Directors	One person company need not to have more than one director on its Board
	Section 149(4) of Companies Act, 2013: Company to have Board of Directors	Need not to appoint Independent directors on its Board.
	Section 152(6) of Companies Act, 2013: Appointment of Directors	Retirement by rotation is not applicable to these companies.
	Section 164(3) of Companies Act, 2013: Disqualifications for Appointment of Director	Additional grounds for disqualification for appointment as a director may be specified by way of articles being a private company.
	Section 165(1) of Companies Act, 2013: Number of Directorships	Restrictive provisions regarding total number of directorships which a person may hold in a public company do not include directorships held in One Person Company

		which are neither holding nor subsidiary company of a public company.
	Section 167(4) of Companies Act, 2013: Vacation of office of Director	Additional grounds for vacation of office of a director may be provided in the Articles being a private company.
	Section 173(5) of Companies Act, 2013: Meetings of Board	It is required to hold at least one meeting of the Board of Directors in each half of a calendar year and the gap between the two meetings should not be less than ninety days. For an OPC having only 1 director, the provisions of Section 173 and Section 174 i.e. Meetings of Board and Quorum for meetings of Board will not apply.
	Section 190(4) of Companies Act, 2013: Contract of Employment with Managing or Whole-Time Directors	Contract of employment with managing or whole-time directors does not apply to a One Person Company being a private company.
	Section 197(1) of Companies Act, 2013: Overall Maximum Managerial Remuneration and Managerial Remuneration in case of absence or inadequacy of profits	Total managerial remuneration payable by a one person company to its directors, including managing director and whole-time director and its manager in respect of any financial year may exceed eleven percent of the net profits since the restrictive provision is not applicable to OPC being a private company.
Features	<ul style="list-style-type: none"> ▪ Conduct of statutory audit, submission of annual returns and compliance with the various requirements of the Companies Act, 2013 is mandatory irrespective of no board meetings resulting in high compliance requirements. ▪ Reduced Start-up Cost. ▪ Relevant for solo entrepreneurs and have flexibility of raising funding also. 	

6. Private Company

Definition	<p>As per Section 2(68) of the Companies Act, 2013, “Private Company” means a company having a minimum paid-up share capital as may be prescribed, and which by its articles:</p> <ul style="list-style-type: none"> • restricts the right to transfer its shares; • limits the number of its members to two hundred (except in case of One Person Company). <p>Provided that where two or more persons hold one or more shares in a company jointly, they shall for the purposes of this clause, be treated as a single member. However, person who is in the employment of the company and persons who having been formerly in the employment of the company were members of the company while in that employment and have continued to be included in the number of members.</p> <ul style="list-style-type: none"> • prohibits any invitation to the public to subscribe for any securities of the company. <p>Note: It is only the number of members that is limited to two hundred. A private company may issue debentures to any number of persons, the only condition being that an invitation to the public to subscribe for debentures is prohibited.</p>
Characteristics	<ul style="list-style-type: none"> • Members: Minimum 2 members is required and maximum 200 members as per the provisions of the Companies Act, 2013. • Name: It is mandatory for all the private companies to use the word “private limited” after its name. • Limited Liability: The liability of each member or shareholders is limited. The personal/individual assets of the shareholders are not at risk. • Perpetual succession: The life of the company keeps on existing forever. • Index of Members: An index of the names entered in the respective registers of members and the index shall in respect of each folio contain sufficient indication to enable the entries relating to that folio in the register to be readily found. • Number of Directors: Minimum two directors to start with its operations. • Paid-up Capital: There is no minimum capital requirement. • Prospectus: There is no such need to issue a prospectus because public is not invited to subscribe for the shares. • Commencement of Business: A company incorporated after the commencement of the Companies (Amendment) Act, 2019 and having a share capital cannot commence any business or exercise any borrowing powers unless- <ul style="list-style-type: none"> ▪ Company has filed with the Registrar a verification of its registered office. ▪ Declaration is filed by a director within a period of 180 days from date of incorporation of the company with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration.
Incorporation Process	<p>STEP 1: Apply for Name Approval in RUN.</p> <p>STEP 2: Preparation of Documents for Incorporation of Company.</p> <p>STEP 3: Fill the Information in Form.</p> <p>STEP 4: Preparation of MOA & AOA.</p> <p>STEP 5: Fill details of PAN & TAN.</p> <p>STEP 6: Fill details of GST, IEC in AGILE PRO.</p> <p>STEP 7: Submission of Spice Plus, Form 33, Form 34, AGILE PRO on MCA.</p> <p>STEP 8: Certificate of Incorporation.</p>

7. Public Company- Meaning, Advantages and Disadvantages

Definition	<p>As per Section 2(71) of Companies Act,2013: A public company means a company which:</p> <ul style="list-style-type: none">▪ is not a private company; and▪ has a minimum paid-up share capital, as may be prescribed. <p>However, a company which is a subsidiary of a company not being a private company shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.</p>
Characteristics	<ul style="list-style-type: none">• Board of Directors (BoDs): Minimum number of three members and a maximum of fifteen on the Board of Company. The Company may appoint more than fifteen directors after passing a special resolution. BoDs act as representatives elected by shareholders and act as the representatives of the Shareholders in the management.• Limited Liability: Shareholder liability for the losses of the company is limited to their share contribution only. The business can be sued on its own and not involve its shareholders.• Number of Members: A minimum number of seven shareholders or members and a limitless number of members.• Transferable shares: Shares of a public limited company are bought and sold by the shareholders. In case of listed company the shares were traded on a stock exchange where the shares of the company are listed which are freely transferable between its members and people trading in the stock exchange.• Life Span: A public limited company is not affected by death of one of its shareholders but the shares are transferred to the legal heir of such deceased shareholder and the company continues to run its business as usual.• Financial Privacy: Strictly regulated and required by law to publish their complete financial statements annually. This ensures to reveal their true financial position to their owners and to potential investors so that they can determine the true worth of its shares.• Capital: Public limited companies enjoy an increased ability to raise capital since they can issue shares to the public through the stock market. They can also raise additional capital by issuing debentures and bonds through the same market from the public.
Few Important Points	<ul style="list-style-type: none">• Incorporation procedure for a public company is similar to the private company. However, to ensure that the proposed company in compliance with the minimum requirement of the members and directors in a public company and the Articles and Memorandum of Association are drafted as per the requirement of the Act.• The name shall be suffix by the word "Limited".• The article of the company is entrenched then such entrench shall in compliance with the Act.

8. Section 8 Companies

Meaning	Company incorporated under Section 8 of the Companies Act, 2013, company incorporated for promoting commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object provided the profits (if any) or other income is applied for promoting only the objects of the company.
Features	<ul style="list-style-type: none"> ▪ Formed for promoting commerce, art, science, sports, education, research, social welfare, religion, charity and protection of environment or any such other object. ▪ Profits (if any) are applied in promoting its objects. ▪ Prohibits the payment of dividends to its members. ▪ Name of the Company can be incorporated without using the word “Limited” or “Private Limited” as the case may be. ▪ No requirement of any minimum paid up capital. ▪ Exempted from stamp duty registration. ▪ Section 8 companies have been granted total/partial exemptions from various sections of the Companies Act, 2013. ▪ One Person Company cannot function as a Section 8 Company. ▪ Section 8 companies have its independent corporate legal entity enjoys credibility in the eyes of the public.
Exemptions available to Section 8 Company	<ul style="list-style-type: none"> ▪ <u>Company Secretaries no longer mandatory:</u> Section 8 companies are no longer required to appoint a company secretary to ensure compliance with the provisions of the Companies Act 2013. This exemption will result in cost reduction for the section 8 companies. ▪ <u>No need for minimum share capital:</u> Section 8 companies are no longer required to maintain a minimum share capital. ▪ <u>Shorter notice period for AGMs:</u> Only 14 days’ notice shall be required to convene an annual general meeting of a Section 8 companies. ▪ <u>No necessity to record minutes of meetings unless required:</u> Section 118 which requires recording of minutes of proceedings of general meetings, board meetings and other resolutions including those passed by way of postal ballot shall now no longer apply to non profit enterprises. However, the minutes of meetings may be recorded within 30 days of conclusion of the meeting in cases where the company’s articles provide for confirmation by way of circulation of minutes. ▪ <u>Dispatch of financial statements and other documents:</u> Section 8 companies are allowed to dispatch the said documents not less than 14 days before the date of the meeting. ▪ <u>Only two directors required:</u> Section 149(1) shall no longer apply to section 8 companies implying that such companies shall not be required to have a minimum number of directors on its board. However quorum for board meetings has been fixed at 2. ▪ <u>Independent Directors not required:</u> Clauses requiring and governing appointment of independent directors have been waived and section 8 companies is not required to appoint independent directors. ▪ <u>Exemption regarding first meeting and board meetings:</u> Section 8 companies shall no longer be required to hold the first meeting of the board within 30 days of incorporation of the company. A meeting of the directors shall however still be required once every six months. ▪ <u>Right of persons other than retiring directors to stand for directorship (Section 160):</u> This right shall no longer be enforceable in section 8 companies, similar to an exemption provided to private limited companies. However this exemption shall not apply to companies whose articles provide for election of directors by ballot. ▪ <u>Directorship in more than 20 companies:</u> The bar on taking up directorship in more than twenty companies has been relaxed in the case of section 8 companies. Therefore an

	<p>individual, if he is eligible, can be a director in more than 20 section 8 companies.</p> <ul style="list-style-type: none"> ▪ <u>Meetings of the Board:</u> The Board of Directors of a section 8 company may hold at least one meeting within every six calendar months. ▪ <u>Relaxation in formation of certain Committees referred to in Section 178 of the Act:</u> Section 8 companies shall not be required to form the Nomination and Remuneration Committee and the Stakeholders Relationship Committee as provided in Section 178 of the Act, as the section has been exempted from compliance for such companies. ▪ <u>Certain decisions by circulation instead of at a meeting:</u> The board has been empowered to take decisions pertaining to borrowing, investments and granting of loans and advances by way of circulation as compared to taking such decisions by calling a meeting of the board.
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9. Foreign Companies

Definition of Foreign Company	<p>As per section 2(42), “foreign company” means any company or body corporate incorporated outside India which –</p> <ul style="list-style-type: none">▪ has a place of business in India whether by itself or through an agent, physically or through electronic mode and▪ conducts any business activity in India in any other manner.																
Information/Documents required for Establishment of Foreign Companies In India	<p>As per Section 380 of Companies Act, 2013, every foreign company which establishes a place of business in India must within 30 days of the establishment of such place of business file with the Registrar of Companies for registration:</p> <table><tr><td>1.</td><td>A list of the directors and secretary of the company containing such particulars as may be prescribed.</td></tr><tr><td>2.</td><td>The full address of the registered or principal office of the company</td></tr><tr><td>3.</td><td>The full address of the office of the company in India which is deemed to be its principal place of business in India.</td></tr><tr><td>4.</td><td>A certified copy of the charter, statutes/memorandum and articles of the company/other instrument constituting or defining the constitution of the company. If the instrument is not in the English language a certified translation thereof in the English language.</td></tr><tr><td>5.</td><td>The name and address/the names and addresses of one/more persons resident in India authorised to accept on behalf of the company service of process and any notices or other documents required to be served on the company.</td></tr><tr><td>6.</td><td>Particulars of opening and closing of a place of business in India on earlier occasion or occasions</td></tr><tr><td>7.</td><td>Declaration that none of the directors of the company or the authorised representative in India has ever been convicted or debarred from formation of companies and management in India or abroad.</td></tr><tr><td>8.</td><td>Any other information as may be prescribed.</td></tr></table>	1.	A list of the directors and secretary of the company containing such particulars as may be prescribed.	2.	The full address of the registered or principal office of the company	3.	The full address of the office of the company in India which is deemed to be its principal place of business in India.	4.	A certified copy of the charter, statutes/memorandum and articles of the company/other instrument constituting or defining the constitution of the company. If the instrument is not in the English language a certified translation thereof in the English language.	5.	The name and address/the names and addresses of one/more persons resident in India authorised to accept on behalf of the company service of process and any notices or other documents required to be served on the company.	6.	Particulars of opening and closing of a place of business in India on earlier occasion or occasions	7.	Declaration that none of the directors of the company or the authorised representative in India has ever been convicted or debarred from formation of companies and management in India or abroad.	8.	Any other information as may be prescribed.
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10. HINDU UNDIVIDED FAMILY (HUF)

Meaning of Joint Hindu Family Business (HUF)	<ul style="list-style-type: none"> • The business of Joint Hindu Family is controlled under the Hindu Law instead of Partnership Act. • The membership in this form of business organisation can be acquired only by birth or by marriage to a male person who is already a member of Joint Hindu Family. • There are two schools of Hindu Law-one is Dayabhaga which is prevalent in Bengal and Assam and the other is Mitakshara prevalent in the rest of the country. • "Karta" in HUF: <ul style="list-style-type: none"> ▪ The business of the Joint Hindu Family is controlled and managed by one person who is called 'Karta' or 'Manager'. ▪ The Karta or manager works in consultation with other members of the family but Karta takes the final decision. ▪ The liability of Karta is unlimited while the liability of other members is limited to their shares in the business.
CHARACTERISTICS OF A JOINT HINDU FAMILY BUSINESS	<ul style="list-style-type: none"> • Governed by Hindu Law: The business of the Joint Hindu Family is controlled and managed under the Hindu law. • Management: All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'. The Karta is the senior most male member of the family. Only Karta is entitled to deal with outsiders but other members can deal with outsiders only with the permission of Karta. • Membership by Birth: The membership can be acquired only by birth of male child. Membership requires no consent /agreement. • Liability: The Karta is not only liable to the extent of his share in the business but his separate property is equally attachable and amount of debt can be recovered from his separate property. The liability of all other members is limited to their shares in the business. • Permanent Existence: The death, lunacy or insolvency of any member of the family does not affect the existence of the business of Joint Hindu Family. • Implied Authority of Karta: In a joint family firm, only Karta has the implied authority to contract debts and pledge the credit and property of the firm for the ordinary purpose of the businesses of the firm. • Minor also a Partner: In a partnership, minor cannot become co-partner though he may be admitted to the benefit of partnership. In a Joint Hindu Family firm minor is a partner. • Dissolution: Joint Hindu Family Business can be dissolved only at the will of all the members of the family. Any single member has no right to get the business dissolved.
BENEFITS OF HUF	<ul style="list-style-type: none"> • Easy to start as less legal formalities. • Presence of Secrecy as all decisions is taken by the 'Karta' himself. • Quick Decision-making as Karta is the only person who exercises control and direction over the business. • The Karta of family spends money with great caution and economy and well- balance and maintain the business. • The natural love and affection members are having for each other helps to run the business more efficiently and smoothly. • Karta is at freedom to select any business of his choice.

<p>Key issues to be noted in preparation of a HUF Deed</p>	<ul style="list-style-type: none"> ▪ A HUF deed is a written formal document on a stamp paper specifying the name of Karta and Coparceners of HUF. ▪ The eldest male member of HUF becomes Karta of HUF. ▪ The name of members of HUF and the name of the HUF is also required to be stated in the HUF Deed at the time of creating of HUF. ▪ The name of HUF is usually the name of the Karta followed by the word HUF e.g. Ram Kumar HUF. ▪ HUF Deed also states the capital with which the HUF has been initiated. There are various sources through which capital can be introduced. ▪ Declaration is also provided by each member of family where they declare the name of Karta and state that Karta has the authority of the accounts vested in his hand and holds the right to govern all transactions of the HUF accounts on behalf of the members. ▪ It is recommended that the Deed should be notarised.
<p>Formation of HUF</p>	<ul style="list-style-type: none"> • Step 1: Create a HUF Deed: Preparation of deed on stamp paper declaring the formation of the HUF. • Step 2: Register the Deed. • Step 3: Obtain PAN: Once the declaration deed is made karta should apply for a permanent account number (PAN) for the HUF. • Step 4: Opening of HUF's bank account: Once PAN is allotted open a bank account in the name of the HUF. <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p style="text-align: center;">Pictorial Presentation of Formation of HUF</p> <pre> graph TD A[Step 1: Create a HUF Deed] --> B[Step 2: Register the Deed.] B --> C[Step 3: Obtain PAN] C --> D[Step 4: Open bank account] </pre> </div>
