

PROPRIETORY REGISTRATION IN INDIA

INTRODUCTION:

The Most key decision while thinking of starting a business structure is the form of business in which one should invest that influences the growth and success of your business in future. One such type of business is the sole Proprietorship business . The word ‘sole’ means single and the word ‘proprietor’ means owner thus it is the business run by a single owner . This type of business have a easy start up phase .It is an unregistered business organization whose management, control and ownership is held by a single person. It is as such most commonly practiced form of business entity in India. It is mostly used for micro and small business operating in the unorganised Sectors¹

It is best suitable for the individual who are trying their fortune in Business before he/she is completely sure or has financial strength to start the large scale business. The business that will remain small scale or have limited period of existence usually are sole proprietorship.

PROPRIETORSHIP:

Proprietorship is a business concern owned and operated by an individual carrying the business himself² also known as Sole Proprietorship.

¹ <https://www.indiafillings.com>

² <https://www.companiesinn.com>

SOLE PROPRIETORSHIP:

It is a business that has no separate Existence from its owner, income and losses are taxed on the individual's personal income tax Return³

Sole Proprietorship can be described as a kind of business entity that is owned by a single person. The person has a complete control and management over the affairs of the business. A Person who doesn't wants to go through the legal formalities associated with starting the business can go for sole proprietorship. Due to its minimal compliance requirements it is easy to fulfil thus it is the most convenient form of business proprieded.

ESSENTIALS OF PROPRIETOR:

1. He must be a living entity who owns the Proprietorship business.
2. Proprietor cannot be a Artificial Person.
3. Documents and other essentials.
4. The Sole proprietor is held liable for liability.

IS SOLE PROPRIETORSHIP REGISTRATION MANDATORY?

No, it is Not Mandatory to get it Registered but if you want to open a Bank Account in the name of your business, banks usually insist on getting the business Registered.

³ <https://www.entrepreneur.com>

PROCESS OF REGISTRATION OF SOLE PROPRIETORSHIP:

There is no procedure or mechanism provided by the government neither central or state Govt. to prescribe any method for Registration of proprietorship.

There is no codified law or defined process to deal with the registration of such kind of business ownership but usually the owner in order to avoid future hurdles can opt for the Few Registrations and licensing Process like:

1. Registration of proprietorship under the shop and establishment Act: If the sole Proprietor has a shop as a business entity then he can get his business registered under this Act and the same can be done by making an application to the Local Municipal Corporation.

2. Registration under the MSMED (Micro , small and Medium Enterprise Development Act) through Udhyog Aadhar. Ministry of MSME provides for a new and unique method of sole proprietorship registration in India through Udhyog Aadhar (It is a 12 digit Unique identification number provided by MSME) that not only gives the business legal Sanctity but also a Unique Identity⁴. Thus you can avail various benefits under the schemes of this ministry.

3. Registration under GST: It can be done by submitting the supporting documents. Usually in the cases if the business exceeds the specified limit.

4. Trademark Registration: If you want to trade your products or services under a specific name then we can opt for this form of Registration that will protect our Trademark.

⁴ <https://www.charteredclub.com>

5. Licenses that need to be possessed by the proprietor:

- Drug License
- Labour License
- Regional Transport License
- FSSAI License
- Mandi License
- Certificate issued by ICAI etc....

6. Import Export Code⁵

7. FSSAI Registration⁶

8. ONLINE Registration.

BASIC DOCUMENTS REQUIRED:

1. Aadhar Card of the Proprietor:

2. PAN Card of the Proprietor:

3. Address Proof of Place of Business:

4. Business Address Proof: That may include the Electricity bills in your Name or rental Agreement etc⁷.

⁵ <https://indiafillings.com>

⁶ <https://indiafillings.com>

⁷ <https://www.evoma.com>

IMPORTANT PREREQUISITE for Sole Proprietorship business: BANK ACCOUNT

In order to open a bank Account in your Name for running on such business then you must check out the Bank Formalities that are required to be fulfilled to get your business registered. Most of the banks ask for GST Registration although other forms of Registrations are also legally recognised.

REGISTERED OFFICE PROOF: It is a necessary requirement for starting a Sole Proprietorship business.

PRECAUTIONARY MEASURES:

As there is no defined procedure for registration of such form of business, thus any person can use the same title as taken by other person. If a proprietor wants to protect his business name he can protect it by Trade Mark Registration of his business Name.

PROS OF SOLE PROPRIETORSHIP:

1. Ease of Setting up such form of business.
2. No Registration Procedure.
3. Tax
4. Easy Management
5. No Legal Formalities and paperwork
6. Easy Business Closure.

7. Only Income Tax return in Form ITR-3 must be filed every year.⁸
9. No Fees to be paid to start a one-man business organisation.
10. Secrecy Maintenance is an easy task for Key decisions to be taken.
11. Personal Supervision , Management and control of the sole proprietor.

CONS OF PROPRIETORSHIP:

1. Separate Legal Entity.
2. No Limited Liability Protection (LLP)
3. No Transferability.
4. No Perpetual Existence.
5. Fund Raising is Not Possible.

EXECUTION OF SOLE PROPRIETORSHIP BUSINESS IN INDIA:

In India it is executed beneath the MSME Act, or GST Act , Shops and Establishment registration underneath the kingdom Act⁹. It is possible only if it is registered under these acts only then it carries legal enforceability while execution.

⁸ <https://www.indiafillings.com>

⁹ <https://www.yourstory.com>

EXAMPLES OF SOLE PROPRIETORSHIP:

- Freelancers
- Consultants
- Bookkeepers
- Virtual Assistants
- Home-Based business owners

HYPOTHESIS:

This form of business requires small operation scale thus it is suitable for a newbie, one who has a small capital investment can easily opt for sole proprietorship not only this it is easily manageable with the control of a single owner and u can cope with multiple compliances individually. Thus, it requires the least or almost nil legal formalities for its Registration which is optional after considering all the above factors one can find it tempting to adopt this form of business.

CONCLUSION:

In a Nutshell, this is the most easiest and convenient form a business to be practiced if you are a newbie with limited market exposure. It requires no Legal Formalities to be fulfilled as such with no codified legal process, one can act at his/her own will. Most preferred for small scale business it can be seen most widely in India.