



**M/s PRANJAL JOSHI & CO**  
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**Start ups and Modes of Business**

Deciding the constitution is the first and most important step for Start Up. An attempt has therefore been made to discuss the various forms of business that Start Up can choose from, along with the comparative benefits and compliances.

**Proprietary concern –**

Sole Proprietary concern is the simplest and easiest form of doing business. Formation and closure is relatively simpler under this form. Income tax benefits as available to Individual helps to save tax till basic exemption limit profit earned by start ups. PAN of proprietor is same as PAN of business entity name selected by start Up. This form is mostly suitable for services, professionals, small trading businesses.

However, it suffers from limitations as to raising of capital, this “one man army” form of business may create issues in expanding the business activities.

To sum up it is low cost incorporation and low level compliance form of business.

**Partnership Firm –**

Slightly higher level constitution than proprietary concern, requires minimum 2 persons as partners, execution and registration of partnership deed is must from legal and tax angle, better scope for raising capital and bifurcating business activities amongst partners.

However, it suffers from requirement to bring personal assets in case of losses, no minimum exemption or concession under Income Tax, so tax liability from Re profit. This form is mostly suitable for services, professionals, small trading businesses.

To sum up, it is higher level constitution, compliance requirement and cost is slightly higher than proprietary concern.

**Limited Liability Partnership LLP –**

LLP is improved form of Partnership Firm. This removes the basic limitation of involvement of personal assets for business losses as applicable in case of partnership firm.

Registration of LLP is must governed by provisions of LLP act and handled by MCA (Ministry of Corporate Affairs), taxation is same like partnership firm. This form is mostly suitable for services and professionals than trading and manufacturing concerns.

To sum up, it is higher level constitution, compliance requirement and cost is slightly higher than partnership firm.



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**Private Limited Company –**

Popular form of business with “Limited Liability” clause. Although “ One Person Company OPC” is also allowed under companies act, mostly OPC is avoided. Most of customers and employees are happy to work with Pvt Ltd company constitution (although it may be small) rather than being customer or employee of proprietary or partnership firm or LLP.

Pvt Ltd Co requires time to time compliances. It is suitable for almost all business activities / nature.

To sum up, it is highest level constitution, compliance requirement and cost is also higher than other modes of businesses.