

# INDIAN PARTNERSHIP ACT, 1932

## Introduction:

The Indian Partnership Act, 1932 **governs** and **regulates partnership firms in India**. A partnership is a relationship between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.



The contract between the partners is known as a **partnership deed** and should have **PAN** for the Partnership Firm.

## Types of Partners:

- **Active Partner:** Involved in the daily operations.
- **Sleeping Partner:** Invests money but not involved in daily operations.
- **Nominal Partner:** Lends their name but not involved in business.
- **Partner in Profits Only:** Shares profits but not losses.

## Rights and Duties of Partners:



Remuneration to a working partner, if authorised by the partnership deed is allowed to the extent of - On the first ` **3,00,000 of the book-profit or in case of a loss - ` 1,50,000 or 90% of the book-profit, whichever is more.**

Interest to any partner is allowed – **upto 12% simple interest per annum**, if authorised by the partnership deed.

Duty to act in **good faith, indemnify the firm for any loss caused by fraud, share losses.**

## Registration of Partnership:

Registration of a partnership firm is **not mandatory but is advisable**. An unregistered firm cannot enforce its claims against third parties **in a court of law**.

## Register with the Registrar of Firms:

Submit the filled **Form 1** (Application for Registration of Partnership) to the Registrar of Firms of the respective state.



For any **changes in the partnership, submit the filled Form II (Notice of Change)** to the Registrar of Firms. Once registered, the Registrar will issue an updated Certificate of Registration.

**Every year** should **renewal the registration** in the partnership Firm.



**Compliance:**  
Partnership Firms must file the **Income Tax Return Filing** in Form no **ITR 5** annually.

**Dissolution of Partnership:**



- **Dissolution by Agreement:** Partners may mutually agree to dissolve the firm.
- **Compulsory Dissolution:** By law, e.g., insolvency or death of a partner.
- **Dissolution by Court:** A partner can seek dissolution through the **court** on grounds like **misconduct, mental incapacity**.