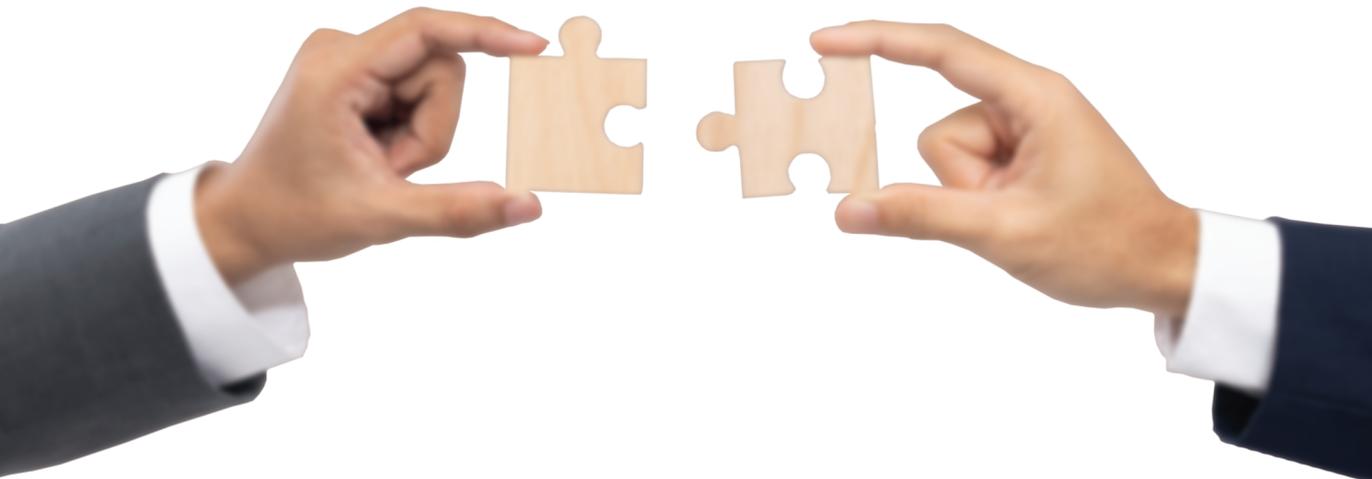




Committee on Commercial Laws, Economic Advisory & NPO Cooperative  
**The Institute of Chartered Accountants of India**  
(Setup by an Act of Parliament)  
New Delhi

# CAs' Handbook on Drafting Partnership Deeds



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## Foreword

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In the evolving landscape of commerce and professional services, precise legal drafting is an indispensable skill for Chartered Accountants (CAs). Partnership deeds, being fundamental legal documents, define the structure, responsibilities, and rights of business partners. A well-drafted partnership deed ensures clarity, compliance, and sustainability in business operations.

The **CAs' Handbook on Drafting Partnership Deeds** serves as a convincing resource, offering insights into partnership law, regulatory considerations, and best practices in drafting legally sound partnership agreements. This handbook comprehensively addresses the legal and procedural aspects of partnership deeds, including formation, registration, reconstitution, and dissolution, alongside key tax and other considerations. It also highlights critical clauses such as arbitration, jurisdiction, succession, and liability, which are integral to robust partnership agreements.

Recognizing the need to equip members of ICAI with specialized knowledge, the Committee on Commercial Laws, Economic Advisory & NPO Cooperative of ICAI has meticulously compiled this publication. The handbook is designed to enhance drafting proficiency and provide practical guidance to CAs who play a pivotal role in structuring partnerships.

I extend my sincere appreciation to CA. Chandrashekhar Vasant Chitale, Chairman, CA. Prakash Sharma, Vice-Chairman, and other members of the Committee for their dedicated efforts in developing this invaluable resource. Their commitment to knowledge dissemination has resulted in a publication that will benefit CAs across the profession.

I encourage all readers to leverage this handbook to enhance their understanding and expertise in partnership deed drafting, thereby reinforcing the integrity and legal soundness of business collaborations.

6th February, 2025

Delhi

**CA. Ranjeet Kumar Agarwal**

President, ICAI

## Preface

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The role of Chartered Accountants in financial matters extends far beyond traditional accounting and auditing. As trusted advisors, CAs play a pivotal role in shaping the financial strategies and operational frameworks of businesses. Their expertise in regulatory compliance, tax planning and financial structuring makes them indispensable in guiding partnerships towards sustainable success.

The “CAs’ *Handbook on Drafting Partnership Deeds*” is a practical guide for Chartered Accountants generally involved in creating and reviewing partnership agreements. As the backbone of entrepreneurial ventures and alliances, a well-drafted deed ensures clarity, mutual understanding, and legal protection. This handbook bridges technical knowledge with real-world application, equipping professionals with essential tools to draft robust, adaptable, and legally sound agreements that safeguard partners' interests while fostering growth and collaboration.

I extend my gratitude to CA. Ranjeet Kumar Agarwal, President, ICAI, and CA. Charanjot Singh Nanda, Vice-President, ICAI, for their unwavering support in this initiative.

I also appreciate the collective efforts of the Vice-Chairman and Committee members, whose steadfast commitment throughout the year has been instrumental in our success. Special recognition is due to CA. Heena Gupta, Secretary of the Committee and CA. Avinash Rawani and CA. Uday Sathaye for their significant contributions to this publication. I applaud the dedication of the Committee’s Secretariat in making this publication a reality.

My heartfelt thanks go to everyone involved in creating this handbook. Together, let us continue to uphold the highest standards of Chartered Accountancy and foster a culture of professionalism and integrity.

Happy learning!

February 04, 2025  
Delhi

**CA. Chandrashekhar Vasant Chitale**  
**Chairman,**  
Committee on Commercial Law, Economic Advisory,  
and NPO Cooperative

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## Chapter 1

# Introduction

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### What is Partnership?

A partnership is an agreement between persons to share the profits of a business conducted by all or any of them acting for all. The existence of a partnership is determined by the real relationship between parties, based on relevant facts, and not merely by sharing profits. Individuals involved in the partnership are known as partners, collectively referred to as a firm, operating under a firm name. A partnership arises from a contract and not from status.

In a partnership, every owner contributes something to the welfare of the firm. These can be in the form of ideas, property, money and sometimes a combination of all these. Partnerships can be formed for any type of business, from small-scale enterprises to large-scale corporations. One of the most significant benefits is the ability to pool resources and expertise. Partners can bring different skills, experiences, and networks to the table, creating a robust and competitive business.

#### When

In today's fast-paced and competitive business landscape, staying ahead of the curve is crucial for success. As a sole entrepreneur, it can be challenging to compete with larger entities. However, I firmly believe that together, we can achieve greatness. We share a common vision and passion for excellence, and I propose that we form a strategic partnership to foster business growth and success. By combining our strengths, expertise, and resources, we can create a win-win situation that drives mutual benefit and prosperity.

Let's join forces and leverage each other's capabilities to:

- Enhance our competitive edge
- Expand our market reach
- Drive innovation and growth
- Achieve our business objectives

Together, we can create a powerful synergy that propels us towards success and helps us achieve our vision. Partnerships offer a flexible and dynamic way for entrepreneurs to collaborate, innovate, and grow.

### Governing Laws

In India, the partnership is governed by the Indian Partnership Act, 1932 divided into 11 chapters which have 74 Sections and 2 schedules. The Act came into force on 1st October 1932 except Section 69, which deals with non-registration which came into effect from 1st

October, 1933, covering various aspects of partnerships, including: - Definition and types of partnerships - Registration of partnerships - Rights and liabilities of partners - Partnership property - Dissolution of partnerships - Winding up of partnerships.

The said Act is a binding force on partners and the partnership business. It is to be noted that whatever terms and conditions which are agreed by the partners are recorded in the partnership deed.

## **Commonly terms used in Partnership Act 1932**

### **Section1**

#### **SHORT TITLE EXTENT AND COMMENCEMENT**

- (1) This Act may be called the Indian Partnership Act, 1932.
- (2) It extends to the whole of India except the State of Jammu and Kashmir.
- (3) It shall come into force on the 1st day of October, 1932, except section 69 which shall come into force on the 1st day of October, 1933.

### **Section2**

#### **DEFINITIONS.**

In the Act, unless there is anything repugnant in the subject or context,

- (a) an "act of a firm" means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm;
- (b) "business" includes every trade, occupation and profession;
- (c) "prescribed" means prescribed by rules made under this Act;
- (c-1) "Registrar" means the Registrar of Firms appointed under sub-section (1) of section 57 and includes the Deputy Registrar of Firms and Assistant Registrar of Firms appointed under sub-section (2) of that section;
- (d) "third party" used in relation to a firm or to a partner therein means any person who is not a partner in the firm; and
- (e) expressions used but not defined in this Act and defined in the Indian Contract Act, 1872, shall have the meanings assigned to them in that Act.

### **Section3**

#### **APPLICATION OF PROVISIONS OF ACT IX OF 1872.**

The unrepealed provisions of the Indian Contract Act, 1872, save in so far as they are inconsistent with the express provisions of this Act, shall continue to apply to firms.

#### Section 4

#### DEFINITION OF "PARTNERSHIP", "PARTNER", "FIRM" AND "FIRM-NAME".

"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".

### Characteristic of a Partnership Firm

A few distinct characteristics of partnerships are mentioned below:

- **Shared Ownership-** Partnership involves shared ownership among partners, who contribute capital, skills or expertise to the business. Each partner has a vested interest in the success of the venture.
- **Written Agreement-** Partners, who decide to start this business, have to make a formal mutual contract between them. This agreement is usually written following the norms of government act.
- **Joint decision making –** Partners make decision jointly, although the extent of each partner's involvement in decision making may vary depending upon the partnership agreement.
- **Share of Profit-** One of the primary features of Partnership is to make and share the profit among the partners as per agreed ratios. However, the income will be distributed equally if there's no clause mentioned in the agreement about the same.
- **Liabilities-** In general partnerships, all the partners are subjected to liabilities. It means all of them are collectively responsible for recovering all debts of the firm, even if they have to liquidate their personal assets.
- **Non-Transferability of Interest-** By any means, a partner cannot shift his/her interest from existing firm to others. There is a strict restriction upon inclusion and retirement of the partners. Even a minor change in the ownership of a business has to make with the consent of the other members involved in Partnership.

### Different Kinds of Partners

The following kinds of partners generally exist in a partnership:

#### (i) **Actual, Active or Ostensible Partner**

These are the ordinary types of partners who invest money into the business of the firm, actively participate in the functioning and management of the business and share its profits or

losses. Section 12(a) lays down that "Subject to contract between the partners, every partner is entitled to take part in the conduct of the business of the firm". Such partner as actively participates in the firm's business, binds himself and other partners by all his acts done in the usual course of partnership business. Such partner must give a public notice of his retirement from the firm in order to absolve (free) himself from liability for the acts of the other partners done after his retirement.

**(ii) Sleeping or Dormant Partner**

These partners invest money in the firm's business and take their share of profits but do not participate in the functioning and management of the business. But even then their liability is unlimited. The Act specially provides that if an act is binding on the firm, every partner is liable for it. A sleeping partner can retire from the firm without giving any public notice to this effect. His liability for the acts of the firm ceases soon after retirement. Such partner has no duties to perform but is entitled to have access to books and accounts of the firm and he can have a copy of them.

**(iii) Nominal Partner**

Some people do not invest or participate in the management of the firm but only give their name to the business or firm. They are nominal partners but are liable to third parties for all the acts of the firm. Unlike a sleeping partner, they are known to the outsiders as partners in the firm, whereas actually they are not. They require to give public notice at the time of being separate from the firm.

**(iv) Partner in Profits Only**

A partner who is entitled to share in the profits of a partnership firm without being liable to share the losses, is called a partner in profits only. Thus, a person who has sufficient capital but is not prepared to take risk may be admitted to the partnership by the other partners. In spite of his specific position, he continues to be liable to the third parties for all acts of the firm, just like other partners.

**(v) Sub-Partner**

Where a partner agrees to share his profits in the firm with a third person, that third person is called a sub partner. He is partner of a partner. Such a sub-partner has no rights or duties towards the firm and does not carry any liability for the debts of the firm. He can neither participate in partnership business nor check the accounts of such partner and to claim share. Also he cannot bind the firm or other partners by his acts. The only right he has to share the profits in property at the time of winding-up.

**(vi) Partner by Estoppel or Holding Out**

This concept refers to a situation where a person, who is not a partner, holds themselves out as a partner or allows other to believe they are a partner. By doing so, they may be estoppel (prevented) by denying to their partnership status.

## Different kind of partnership

1. **General Partnership-** In this Partnership, the partners equally participate in the day-to-day activities and decision-making prospects of a firm. At the same time, they are equally responsible for all profits, liabilities and debts of the company. If one partner is found guilty for any discrepancy in business, the others will be held accountable for the same.
2. **Limited Partnership-** A Limited Partnership includes one or more than one partners whose liabilities are limited. A limited partner usually takes his/her share of profit without involving in daily managerial activities and decision making. Because of the limited liabilities, they don't have to bear the loss incurred upon business.
3. **Limited Liability Partnership-** In LLP, liabilities on partners are limited. They are not responsible for any legal and financial crisis of a firm, protecting personal assets. An LLP partner is somewhat similar to a Limited partner although they are not the same.
4. **Partnership at Will-** Such Partnership solely depends on the will of a partner. He/she can break the bond anytime they wish. This type of Partnership is usually created for lawful business which usually lasts for an indefinite time.

### HOW PARTNERSHIP DIFFER FROM PROPRIETORSHIP, PRIVATE COMPANY & LLP

Feature	Proprietorship	Partnership Firm	LLP (Limited Liability Partnership)	Private Limited Company
Ownership	Single individual owns the business.	Owned and managed by two or more partners.	Hybrid of partnership and company, with limited liability.	Separate legal entity owned by shareholders.
Legal Status	Not a separate legal entity.	Not a separate legal entity.	Separate legal entity.	Separate legal entity.
Registration	Not mandatory.	Not mandatory, but advisable for benefits.	Mandatory registration under LLP Act, 2008.	Mandatory registration under Companies Act, 2013.
Liability	Unlimited liability.	Unlimited liability among partners.	Limited to the extent of their capital contribution.	Limited to the extent of their capital investment.
Management	Managed by the proprietor.	Managed by partners as per	Managed by designated	Managed by directors

## CA's Handbook on Drafting Partnership Deeds

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		the partnership deed.	partners.	appointed by shareholders.
Compliance Requirements	Minimal compliance.	Minimal compliance, more if registered.	Moderate compliance (annual returns, financial statements).	Higher compliance (audits, annual returns, board meetings).
Perpetual Succession	No	No	Yes	Yes
Continuity	Business ends with proprietor's death.	Dissolves on partner's death unless otherwise agreed.	Perpetual succession.	Perpetual succession.
Raising Capital	Limited to proprietor's resources.	Limited to partners' resources.	Easier than proprietorship and partnership but harder than private companies.	Easier through shares, investors, and loans.
Transfer of Ownership	Difficult, involves sale of business.	Requires consent of all partners.	Easier, subject to agreement.	Easier through transfer of shares.

### Advantages of having Partnership Firm

**1. Shared Financial Risk-** Partnerships allow partners to share financial risks, reducing the individual burden. This shared risk can lead to:

- Reduced financial stress
- Increased ability to take calculated risks
- Shared responsibility for debt and liabilities.

**2 Combined Skills and Expertise-** Partners bring unique skills, expertise, and experiences to the table, enhancing decision-making and problem-solving. This combined expertise can:

- Improve business strategy and planning
- Enhance innovation and creativity

- Increase efficiency and productivity
- 3 Increased Capital** - Partners contribute capital, increasing financial resources for business growth. This increased capital can:
  - Fund business expansion and development
  - Improve cash flow and liquidity
  - Enhance credibility with investors and lenders
- 4 Flexibility in Decision-Making** Partnerships allow for flexible decision-making, without the need for formal approval processes. This flexibility can:
  - Speed up decision making and response times
  - Improve adaptability to changing market conditions
  - Increase partner engagement and motivation
- 5 Shared Workload** - Partners divide the workload, reducing individual stress and increasing productivity. This shared workload can:
  - Improve work-life balance
  - Increase efficiency and productivity
  - Enhance partner satisfaction and retention
- 6 Diverse Perspectives**- Partners bring unique perspectives, fostering creative problem-solving and innovation. This diversity of perspectives can:
  - Improve decision-making and strategy
  - Enhance innovation and creativity
  - Increase adaptability to changing market conditions
- 7 Access to Broader Networks**- Partnerships provides access to broader professional and personal networks, which can be beneficial for business growth. This expanded network can:
  - Lead to new business opportunities and partnerships
  - Provide access to valuable resources and expertise
  - Enhance credibility and reputation
- 8 Tax Benefits**- Partnerships enjoy pass-through taxation, which means the partnership itself is not taxed on its profits. Instead, partners report their share of profits and losses on their individual tax returns. This pass-through taxation can:
  - Avoid double taxation

- Allow for flexibility in tax planning
- Reduce the tax burden on partners

## **Disadvantages of partnership firm**

**1. Unlimited Personal Liability**-Partners have unlimited personal liability, putting their personal assets at risk in case of business debts or liabilities. This can lead to:

- Loss of personal assets, such as homes or savings
- Financial stress and risk
- Difficulty separating personal and business finances

**2. Potential for Conflict**-Partners may have different opinions, values, or work styles, leading to conflicts that can harm the business. This can result in:

- Difficulty making decisions
- Decreased productivity and efficiency
- Strained relationships among partners

**3. Lack of Continuity** -Partnerships can be dissolved if one partner leaves or passes away, which can disrupt business continuity. This can result in:

- Loss of business momentum
- Difficulty finding a new partner
- Potential for business closure

**4. Inadequate Capital** -Partners may not have sufficient capital to invest in the business, limiting growth and development. This can lead to:

- Reduced business competitiveness - Difficulty expanding operations
- Limited ability to invest in new technologies or marketing

**5. Limited Expertise** -Partners may not have all the necessary skills or expertise to run the business effectively, leading to:

- Poor decision-making
- Inefficient operations
- Difficulty adapting to changing market conditions

**6. Complexity in Decision-Making** -Partnerships can involve complex decision-making processes, especially if there are multiple partners with different opinions. This can result in:

- Delayed decision-making
- Difficulty reaching consensus

- Potential for conflict among partners
- 7. Tax Complexity** -Partnerships can involve complex tax implications, especially when it comes to allocating profits and losses among partners. This can lead to:
  - Difficulty navigating tax laws and regulations
  - Potential for tax disputes among partners
  - Increased tax liability for individual partners

## Chapter 2

# Registration

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### Registration of Partnership

Partnership registration means the registration of the partnership firm by its partners with the Registrar of Firms of the state where the firm is located. The registration of a partnership firm is optional and not compulsory under the Indian Partnership Act. It is at the discretion of the partners, the partners can apply for registration of the partnership firm either at the formation of the firm done at the time of its formation or incorporation or during the continuance of the partnership business.

For partnership registration, the two or more people must come together as partners, agree on a firm name and enter into a partnership deed. However, it is always advisable to register the partnership firm as a registered partnership firm enjoys certain special rights and benefits as compared to the unregistered firms.

### Benefits of Registration

- **Legal recognition:** Registration of partnership provides legal recognition to the partnership firm. It helps establish the firm's and its partners' existence, which is important while dealing with third parties such as banks, customers, and suppliers.
- **Protection of rights:** Registration of a partnership helps protect the partners' rights. The partnership agreement is a crucial document that defines the terms and conditions of the partnership. Registering the partnership protects the partnership agreement and the partners' rights.
- **Credibility in the market:** Registered partnership firms have better credibility than unregistered firms. Registration assures the customers and suppliers about the existence and legitimacy of the firm.
- **Easy access to credit:** Registered partnership firms have easy access to credit from banks and financial institutions. Banks and financial institutions consider registered firms more credible and reliable than unregistered firms.
- **Resolution of disputes:** Registration of partnership helps resolve disputes among the partners. The partnership agreement is legally binding, and registered partnership firms have legal recourse in case of partner disputes.

## Procedure for Registering a Partnership Firm

### Application for Registration

An application form has to be filed to the Registrar of Firms of the State in which the firm is situated along with prescribed fees. It has to be signed and verified by all the partners or their agents. The application can be sent to the Registrar of Firms through post or by physical delivery, which contains the following details:

- The name of the firm.
- The principal place of business of the firm.
- The location of any other places where the firm carries on business.
- The date of joining of each partner.
- The names and permanent addresses of all the partners.
- The duration of the firm.

### Selection of Name of the Partnership firm

Any name can be given to a partnership firm. But certain conditions need to be followed while selecting the name. The name should not be too similar or identical to an existing firm doing the same business. The name should not contain words like emperor, crown, empress, empire or any other words which show sanction or approval of the government.

### Issuance of Certificate by the Registrar

If the Registrar is satisfied with the registration application and the documents, he will register the firm in the Register of Firms and issue the Registration Certificate. The Register of Firms contains up-to-date information on all firms, and anybody can view it upon payment of certain fees. However, registration is deemed to be completed as soon as an application in the prescribed form with the prescribed fees and necessary details concerning the particulars of partnership is delivered to registrar.

**Late registration on payment of penalty:** if the statement in respect of any firm is not sent or delivered to the registrar within the specified time in, then the firm may be registered on payment, to the registrar, of a penalty of one hundred rupees per year of delay or part thereof.

### Consequences of Non Registration of Firm

Under the English Law, the registration of firm is compulsory. Therefore, there is a penalty for non- registration of firms. But the Indian Partnership Act does not make the registration of compulsory nor does it compose any penalty for non- registration. Non-registration of partnership given rise to a number of disabilities which have a persuasive pressure for their registration. These disabilities briefly as follows:

**1] No suit in a civil court by the firm or other co-partners against any third party**

If the firm registration is not done, then the firm or any other person on its behalf cannot file a suit against a third party for breach of contract which the firm has entered into. Further, the person filing the suit on behalf of the firm should be in the register of the firm as a partner.

**2] No relief to partners for set-off of claim**

Without firm registration, any action brought against the firm by a third party having a value of more than Rs. 100 cannot be set-off by the firm or any of its partners. Pursuance of other proceedings to enforce rights arising from the contract cannot be done either.

**3] An aggrieved partner cannot bring legal action against other partner or the firm**

A partner of the firm or any person on his behalf cannot bring legal action against the firm or against any partner (or alleged to be a partner) if firm registration is not done. However, if the firm is dissolved, then such a person can sue the firm for dissolution its accounts and realization of his share in the firm's property.

**4] A third party can sue the firm**

Even if the firm registration is not done, a third party can bring legal action against the firm.

**Exceptions**, non-registration of a firm does not affect the following rights:

1. The right of a third party to sue the firm or any partner.
2. Partners' right to sue the firm for dissolution or settlement of accounts (in case of dissolution)
3. The power of the Official Assignees, Receiver of Court to release the property of the insolvent partner and bring an action.
4. The right of the firm and partners to sue or claim set-off of the value of the suit does not exceed Rs. 100.
5. The right to suit and proceeding instituted by legal representative or heirs of the deceased partner of a firm for accounts of the firm or to realise the property of the firm.

## **Rights of Partners**

Partners can exercise the following rights under the Act unless the partnership deed states otherwise:

- (i) **Right to participate in business:** Each partner has an equal right to take part in the conduct of their business. Partners can curtail this right to allow only some of them to contribute to the functioning of the business if the partnership deed states so.
- (ii) **Right to express opinions:** Another one of the rights of partners is their right to freely express their opinion. Partners, by a majority, can determine differences with respect to

ordinary matters connected with the business. Each partner can express his opinion to decide such matters.

- (iii) **Right to access books and accounts:** Each partner can inspect and copy books of accounts of the business. This right is applicable equally to active and dormant partners.
- (iv) **Right to share profits:** Partners generally describe in their deed the proportion in which they will share profits of the firm. However, they have to share all the profits of the firm equally if they have not agreed on a fixed profit sharing ratio.
- (v) **Right to be indemnified:** Partners can make some payments and incur liabilities through their decisions in the course of their business. They can claim indemnity from each other for these decisions. Such decisions must be taken in situations of emergency and should be of such nature that an ordinarily prudent person would resort to under similar conditions.
- (vi) **Right to interest on capital and advances:** Partners generally do not get an interest on the capital they contribute. In case they decide to take an interest, such payment must be made only out of profits. They can, however, receive interest of 6% p.a. for other advances made subsequently towards the business.

### **Duties of Partners**

Now that we have seen the rights of partners let us see the duties the Act has prescribed,

- (i) **General duties:** Every partner has the following general duties like carrying on the business to the greatest common good, duty to be just and faithful towards each other, rendering true accounts, and providing full information of all things affecting the firm. etc
- (ii) **Duty to indemnify for fraud:** Every partner has to indemnify the firm for losses caused to it by his fraud in the conduct of business. The Act has adopted this principle because the firm is liable for wrongful acts of partners. Any partner who commits fraud must indemnify other partners for his actions.
- (iii) **Duty to act diligently:** Every partner must attend to his duties towards the firm as diligently as possible because his not functioning diligently affects other partners as well. He is liable to indemnify others if his willful neglect causes losses to the firm.
- (iv) **Duty to use the firm's property properly:** Partners can use the firm's property exclusively for its business, and not for any personal purpose, because they all own it collectively. Hence, they must be careful while using these properties.
- (v) **Duty to not earn personal profits or to compete:** Each partner must function according to commonly shared goals. They should not make any personal profit and must not engage in any competing business venture. They should hand over personal profits made to their firm.

### **Effect on Rights and Duties after a change in Firm**

The nature of the existing relationship between partners will be affected whenever there is a change in the firm's constitution. Such changes occur in the following situations:

- (i) Change in constitution of the firm due to incoming or outgoing or partner(s);
- (ii) Expiry of the pre-determined term of the firm; and
- (iii) Carrying out of additional business undertakings than originally agreed upon.

Mutual rights and duties of the partners will continue to be the same as they existed prior to such changes, but partners can change this by making a fresh partnership deed.

## Chapter 3

# Reconstitution

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## Reconstitution

Reconstitution of a partnership firm takes place whenever there is a change in the profit sharing ratio among the partners, admission of a new partner, retirement of a partner and death or insolvency of a partner.

### I. Change in the profit sharing ratio among the Existing Partners

Sometimes the partners may decide to change their profit sharing ratio due to factors like change in their roles in the firm, change in their capital contribution ratio, etc. Any change in the old profit sharing ratio will amount to a reconstitution of the partnership firm.

### II. Admission of New Partner/Partners

The admission of a new partner refers to the situation when a new person joins the existing partnership of any firm. The other members of the partnership need to sacrifice their profit sharing ratio after the admission of this new partner i.e. the reconstitution of partnership. The company usually approaches the new partners when they need funding or guidance and mentorship of the new partner. The admission of a new partner must be a mutual agreement between all other existing partners. As all the existing partners will need to sacrifice a portion of the profit for the new partner. The Indian Partnership Act 1932, states the reasons for admission of new partners and also the rights of the partner after admission. The rights of the new partner involve the right to share profits of the partnership firm and the right to share in the assets of the firm. Moreover, he also becomes liable for any liability incurred on the firm after his admission in it.

### Reasons for Admission of a New Partner

The reasons for the need for admission of a new partner in the existing partnership or the firm are as follows:

- The most significant reason for the admission of a new partner is the need for funding for the expansion of the business.
- If there is a requirement of an experienced and well-trained person for the efficient running of any business.
- If the company needs to increase the goodwill by adding the name of any reputed and renowned business person in the company.

According to the section Partnership Act 1932, a new deed forms on the entry of the new partner. This simply states that the old deed will eventually come to an end. Moreover, all the existing partners must agree to the entry of a new partner.

### **Adjustment Required at the Time of Admission of a New Partner**

During admission, the new partner brings his shares of goodwill and capital with him. There are some necessary adjustments made on the entry of a new partner in the firm. These adjustments are as follows:

- Calculation of new profit sharing ratio among the present partners of the firm
- Accounting treatment of the goodwill.
- Accounting treatment for the revaluation of assets and liabilities of the firm.
- Distribution of accumulated profits and reserves of the firm.
- The capital adjustment on the basis of new profit-sharing ratios of the firm.

### **III. Admission of Minor Partner**

- (1) A person who is a minor according to the law to which he is subject may not be a partner in a firm, but, with the consent of all the partners for the time being, he may be admitted to the benefits of partnership.
- (2) Such minor has a right to such share of the property and of the profits of the firm as may be agreed upon, and he may have access to and inspect and copy any of the accounts of the firm.
- (3) Such minor's share is liable for the acts of the firm, but the minor is not personally liable for any such act.
- (4) At any time within six months of his attaining majority, or of his obtaining knowledge that he had been admitted to the benefits of partnership, whichever date is later, such person may give public notice that he has elected to become or that he has elected not to become a partner in the firm, and such notice shall determine his position as regards the firm:

Provided that, if he fails to give such notice, he shall become a partner in the firm on the expiry of the said six months.

### **IV. Retirement/Death of a Partner**

On the retirement or death of a partner, the existing partnership deed comes to an end, and in its place, a new partnership deed needs to be framed whereby, the remaining partners continue to do their business on changed terms and conditions. There is not much difference in the accounting treatment at the time of retirement or in the event of death. In both the

cases, we are required to determine the sum due to the retiring partner (in case of retirement) and to the legal representatives (in case of deceased partner) after making necessary adjustments in respect of goodwill, revaluation of a assets and liabilities and transfer of accumulated profits and losses. In addition, we may also have to compute the new profit sharing's ratio among the remaining partners and so also their gaining ratio.

Thus, similar to admission, the various accounting aspects involved on retirement or death of a partner are as follows:

- Ascertainment of new profit sharing ratio and gaining ratio
- Treatment of goodwill;
- Revaluation of assets and liabilities;
- Adjustment in respect of unrecorded assets and liabilities;
- Distribution of accumulated profits and losses;
- Ascertainment of share of profit or loss up to the date of retirement/death;
- Adjustment of capital, if required;
- Settlement of the amounts due to retired/deceased partner;

## Chapter 4

# Dissolution

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Dissolving of a partnership firm means discontinuing the business under the name of the said partnership firm. In this case, all liabilities are finally settled by selling off assets or transferring them to a particular partner, settling all accounts that existed with the partnership firm. Any profit/ loss is transferred to partners in their profit sharing ratio as agreed by them in the partnership deed.

Dissolving a partnership firm is different from dissolving a partnership. In the former case, the firm ends its name and hence cannot do business in the future. But in case of dissolving a partnership, the existing partnership is dissolved by consent or on happening of a certain event, but the firm can retain its existence if remaining partners enter into a new partnership agreement.

Basis of Difference	Dissolution of Partnership	Dissolution of Firm
Meaning	It refers to a change in the existing agreement between the partners.	It refers to the dissolution of partnership between all the partners of the firm.
Continuation of business	It does not affect continuation of business. It involves only reconstitution of firm.	It involves discontinuation of business in partnership.
Winding up	It involves only reconstitution and requires only revaluation of assets and liabilities of the firm.	It involves winding up of the firm and requires realisation of assets and settlement of liabilities of the firm.
Order of Court	Dissolution of partnership is not ordered by the court.	A firm may be dissolved by the order of court.
Final Closure of Books	It does not involve final closure of the books of the firm.	It involves final closure of the books of the firm.

### Ways of dissolving a partnership firm

**1. Dissolution by Mutual Agreement:** It is the easiest way to dissolve a partnership firm since all partners have mutually agreed upon closing the partnership firm. Partners can give a mutual consent or may enter into an agreement for the dissolve.

**2. Compulsory Dissolution:** A firm may be dissolved compulsory if:

- (a) by the adjudication of all the partners or of all the partners but one as insolvent, or
- (b) by the happening of any event which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership

Provided that, where more than one separate adventure or undertaking is carried on by the firm, the illegality of one or more shall not of itself cause the dissolution of the firm in respect of its lawful adventures and undertakings

**3. Dissolution depending on certain contingent events :** Upon happening of certain events, a firm may be required to get dissolved:

- (a) if constituted for a fixed term, by the expiry of that term
- (b) if constituted to carry out one or more adventures or undertakings, by the completion thereof
- (c) by the death of a partner and
- (d) by the adjudication of a partner as an insolvent.

**4. Dissolution by Notice:**

- (1) Where the partnership is at will, the firm may be dissolved by any partner giving notice in writing to all the other partners of his intention to dissolve the firm.
- (2) The firm is dissolved as from the date mentioned in the notice as the date of dissolution or, if no date is so mentioned, as from the date of the communication of the notice.

**5. Dissolution by Court:** At the suit of a partner, the Court may dissolve a firm on any of the following grounds, namely:-

- (a) that a partner has become of unsound mind, in which case the suit may be brought as well by the next friend of the partner who has become of unsound mind as by any other partner
- (b) that a partner, other than the partner suing, has become in any way permanently incapable of performing his duties as partner
- (c) that a partner, other than the partner suing, is guilty of conduct which is likely to affect prejudicially the carrying on of the business regard being had to the nature of the business;
- (d) that a partner, other than the partner suing, willfully or persistently commits breach of agreements relating to the management of the affairs of the firm or the conduct of its business; or otherwise so conducts himself in matters relating to the business that it is not reasonably practicable for the other partners to carry on the business in partnership with him

- (e) that a partner, other than the partner suing, has in any way transferred the whole of his interest in the firm to a third party, or has allowed his share to be charged under the provisions of rule 49 of Order XXI of the First Schedule to the Code of Civil Procedure, 1908, or has allowed it to be sold in the recovery of arrears of land revenue or of any dues recoverable as arrears of land revenue due by the partner
- (f) that the business of the firm cannot be carried on save at a loss or
- (g) on any other ground which renders it just and equitable that the firm should be dissolved.

### **Partners still liable to third parties**

Until a public notice of dissolution is given, the partners remain liable for any act done by any of the partners which would have been an act of the firm, if such act was done before resolution.

If a partner has been declared insolvent or has retired from the firm, he will not be liable for any acts done after his insolvency or retirement. The legal heirs of any deceased partner are also not liable for any acts done by other partners after the partner has died.

#### **How are accounts settled?**

Accounts of the firm are settled in the following order–

- Losses of the firm will be paid out of the profits, next out of the capital of the partners, and even then if losses aren't paid off, losses will be divided among the partners in profit sharing ratios.
- Assets of the firm and the capital contributed by the partners to set-off losses of the firm will be applied in the following order–
- Third party debts will be paid first.
- Next, the loan amount taken by the firm from any partner will be repaid to that partner.
- Capital contributed by each partner will be repaid to him in the capital contribution ratio.
- The Balance amount will be shared among the partners in their profit sharing ratios.
- Upon realization, all assets will be sold off in the market, and the cash realizing out of such a sale will be used for paying the liabilities. Assets or liabilities may also be taken over by the partner(s) for which the respective partner capital accounts will be adjusted by such amount.

### **Premium to be returned on premature dissolution**

If a partner paid a certain premium for entering into a partnership for a fixed term, and the firm is dissolved before the end of the fixed term, the firm is liable to repay the partner his premium amount. But few conditions are attached with this –

- The firm is not dissolving due to the death of a partner.
- Dissolution should not be happening due to his misconduct.
- Dissolution is happening on the basis of an agreement that contains no provision for repayment of full or a part of the premium.

## Taxability of partnership firm

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Under Income tax Act 1961, an assessee is a person who is liable to pay tax or any sum of amount payable or have any obligation to pay tax as per the Section 2(7) of the Income Tax Act, 1961.

As per 2(7) of Income Tax Act 1961, A Partnership is considered as an assessee and hence, the income earned by the partnership firm during a financial year is subject to taxation in its hands. The firm is required to compute its taxable income after claiming permissible deductions and allowances and pay tax at the applicable rates. This ensures that the partnership firm is treated as a separate entity for tax purposes, distinct from its partners, thereby making its income liable for taxation under the Income Tax Act, 1961.

The individuals involved in a partnership arrangement are individually known as partners and collectively referred to as a firm. Partners need to be aware of the partnership firm tax rate and how it affects the distribution of profits. Partners are responsible for maximizing firm advantage, fair dealings, and maintaining accurate records with full transparency for all partners' benefit.

### Accounting and Bookkeeping

Partnership firms must maintain proper books of accounts if their annual sales/turnover/gross receipts exceed ₹25 lakhs or their income from business surpasses ₹2.5 lakhs in any of the preceding three financial years.

### Income Tax Return filing for Partnership Firm

Every partnership firm in India is obligated to file income tax returns annually, regardless of whether the firm has generated income or incurred losses during the financial year. Understanding the partnership firm tax rate (30%) is crucial for making informed financial decisions within the business. Even if there was no business activity and the partnership firm's income is zero (NIL), filing an NIL income tax return within the stipulated due date is still mandatory.

#### Partnership Firm Tax slabs / LLP for AY 2024-25

Under the provisions of the Income Tax Act 1961, a partnership firm in India is subject to the following tax percentages:

**Partnership firm tax rate:** Partnership firms are liable to pay income tax at a rate of 30% on their taxable income.

**Surcharges:** If the taxable income of the partnership firm exceeds Rs.1 crore, a surcharge of 12% is applicable in addition to the income tax.

**Interest on Capital:** Partnership firms can claim a deduction of up to 12% on the interest paid on capital.

**Health and Education Cess:** A 4% Health and Education Cess is levied on the total tax amount, including surcharges.

**Marginal Relief :** In case Net Income exceeds 1 crore, the amount payable as income tax and Surcharge shall not exceed the total amount payable as income tax on Total Income of Rs.1 crore by more than the amount of income that exceeds Rs.1 crore.

## **Minimum Alternate Tax for Partnership Firms**

Similar to income tax applicable for a company, partnership firms are subject to minimum alternate Tax. A minimum alternate tax of 18.5% of adjusted total income is applicable. Hence, income tax payable by a partnership firm's profits cannot be less than 18.5 percent (increased by income tax surcharge, education cess, and secondary and higher education cess).

## **Deductions Allowed**

When computing the liability of income tax on partnership firm, deductions are permitted for the following:

- **Remunerations or interest paid to partners** that do not conform to the terms of the partnership agreement.
- Salaries, bonuses, remunerations, and commissions are paid to non-working partners of the firm.
- If remuneration paid to partners complies with the partnership deed but relates to transactions that pre-date the partnership deed.

## **ITR Forms for a Partnership Firm**

Partnership Firms can file their ITR for income tax on partnership firms through Form ITR-4 or ITR-5.

**ITR-4:** ITR-4 is to be filed by those partnership firms which are a Total Income of up to 50 lakh and have income from Business and Profession, which is computed under presumptive basis.

**ITR-5:** ITR-5 is to be filed by those partnership firms who are required to get their account audited.

## **Deadline for Partnership Firm Tax Filing**

The deadline for filing ITR for a partnership firm depends on whether an audit is required:

If the firm is not subject to an audit, returns must be filed by 31st July.

If an audit is necessary, the firm must file its returns by 31st October.

## **GST Compliance Required for Partnership Firm**

**GST registration for a partnership firm is required under the following three situations:**

**Based on Threshold Limit:** Partnership firms should apply for GST registration when their aggregate turnover exceeds ₹40 lakhs for the supply of goods or ₹20 lakhs for the supply of services. Once the turnover crosses the specified limit, the GST registration application must be submitted within 30 days.

**Based on Nature of Business:** Certain types of businesses require mandatory GST registration, irrespective of the turnover threshold. These businesses include those engaged in exports, interstate supply of goods, e-commerce suppliers or operators, casual taxable persons, non-resident suppliers, input service distributors, persons liable to pay tax under the reverse charge mechanism, and those supplying goods using the brand name of others.

**Based on Industry Practice:** Even if not mandated by the GST Act, a partnership firm might need GST registration due to practical business considerations. Many business customers prefer purchasing from GST-registered dealers to avail of the input tax credit. Thus, GST registration may help increase sales volume. Additionally, for firms dealing in goods, GST registration can enhance profitability through input tax credit utilization. In cases with an inverted GST rate structure, the lack of GST registration may lead to reduced profitability.

### **Important Points for GST Registration of Partnership Firms**

- The GST registration of a partnership firm will only be approved if the GST registrations of individual partners are regular. If any partner's GST number has been canceled due to non-filing of returns, the firm's registration will be approved only after filing all pending GST returns, including GSTR-10 (final return).
- The address mentioned in the partnership deed and the address provided for GST registration must match, irrespective of any other address proof like a TNEB receipt. In case of a change in business address, an amended partnership deed must also be submitted.
- If the partnership firm defaults, all partners during the period of default are jointly and severally liable.

- When there is a change in the partnership (removal or admission of a partner), the GST registration profile should be updated by filing a GST amendment application with supporting documents.
- A partnership firm can opt to pay GST as a fixed percentage under the composition scheme. This scheme can be chosen at the time of applying for GST registration or at the start of the next financial year after registration is approved.
- The name on the PAN and Aadhaar of the partners must match for successful E-KYC, which is required for quick processing of the GST registration without physical verification of business premises.

### Filing of GST Returns

Every GST-registered person is required to file GST Returns, and every partnership firm is required to be under GST if its aggregate annual turnover exceeds Rs. 20 lacs. Usually, the GST-registered partnership firms have to file GSTR-1, GSTR-3B, and GSTR-9 returns. If the firm has opted for a composition scheme, then GSTR-4 is to be filed.

**TDS Return:** The TDS Return is to be filed where the partnership firm has a valid TAN, and the type of return to be filed depends upon the purpose of deduction.

**EPF Return filing:** The partnership firm is required to get EPF registration if it employs more than ten persons, and accordingly, filing of EPF return becomes mandatory.

### Accounting and bookkeeping

Books of account are required to be maintained if the partnership firm's sale/turnover/gross receipts from the business is more than Rs. 25,00,000 or the income from the business is more than Rs. 2,50,000 in any of the three preceding years.

### Tax Audit

A partnership firm is required to have a tax audit carried out if the sales, turnover, or gross receipts of business exceed Rs. 1 crore in the financial year. However, it may be required to get its account audited in certain other circumstances.

## **Draft Partnership Deeds in Various situations**

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### **1. Drafting of Partnership Deeds**

Partners have the right to participate in the conduct of the business and access the firm's books. They must indemnify the firm for any losses caused by their fraud or wilful neglect. Externally, partners act as agents for the firm, and their acts in usual business matters bind the firm unless there are known restrictions. Partners are jointly and severally liable for firm actions, and the firm is liable for wrongful acts or misapplied funds by partners.

As Minors can be admitted for the benefit of profits from a partnership with consent but are not considered partners. Upon reaching majority, they must choose to become partners or not, which affects their rights and liabilities. This framework ensures clarity in the relationships, rights, duties, and liabilities within a partnership. In the event of they don't exercise their rights to continue or opt out within the reasonable time of attaining majority; they become the partner with the unlimited liability unlike normal partners.

Every care has to be taken while drafting the partnership deed to ensure that this agreement is necessitate for the conduct of the business of the firm and also ensure that this being a contract between the partners for long lasting relationship. The Agreement has to be executed and the necessary Stamp Duty has to paid in accordance with the Capital contribution by the partners in accordance with prevailing Stamp Duty as per the State Stamp Duty Act.

It should also be noted that the Karta can become the partner on behalf of HUF and private limited company, limited liability partnership firm can also become the partner in the partnership firm, by appointing their representatives.

Further, while drafting the Deed of Partnership as mandated by CBDT circular no. 739 dated 25.03.1996 clarified that for the assessment years subsequent to the assessment year 1996-97, no deduction under section 40(b)(v) will be admissible unless the partnership deed either specifies the amount of remuneration payable to each individual working partner or lays down the manner of quantifying such remuneration. Accordingly, remuneration clause to working partners needs to be incorporated and should be made subject to provisions of section 40(b)(v) of the Income Tax Act, 1961 suitably and it has been seen that in the absence of this clause the remuneration payable to the working partners have not been allowed as deduction.

Some of the Specimen drafts of the partnership deed are given, which may be suitably modified as per the requirement:

**Deed of Partnership**

**(To be executed on Rs. .... Non Judicial Stamp Paper)**

This deed of partnership is made and entered into at \_\_\_\_\_ on [Date, Month, Year] between:

1. [First Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as FIRST PARTNER. (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "First Part");

2. [Second Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as SECOND PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "Second Part");

**WHEREAS** the parties hereto have agreed to commence business in partnership and it is expedient to have a written instrument of partnership.

**WHEREAS** the parties hereto have mutually agreed to carry on the business of..... (here describe the business) and to share the profits and losses of the said business in partnership between themselves and they have with that object constituted themselves into a firm of partners under the name and style of M/s..... (here give the name of the firm).

The terms and conditions agreed to by and between the parties hereto witnesses:

1. **NAME OF THE FIRM:** The business of the firm shall be carried on with the name of M/S \_\_\_\_\_ [Give the Name of the Firm] or such other name as may be mutually agreed in future with the consent of the partners.

2. **BUSINESS ACTIVITY:** The parties hereto have mutually agreed to carry on the business of [Description of Business Activity Proposed] or such other business as may be mutually agreed in future with the consent of the partners.

3. **PLACE OF BUSINESS:** The principal place of the partnership business will be situated at [Address Line 1, Address Line 2, City, State, Pin Code], which is made available by the First/Second Party in which the business of the firm shall be carried on or such other place/places as may be mutually agreed in future with the consent of the partners.

4. **PAYMENT OF RENT AND EXPENSES:** The rent, and all taxes, duties, repairs, and outgoings in respect of the said place or places of business of the partnership shall be paid out of the partnership.

5. **DURATION OF PARTNERSHIP:** The duration of the partnership will be at will.

**6. CAPITAL OF THE FIRM:** The capital of the firm for the time being is fixed at Rs. .... (Rupees ..... ) only, which has been contributed by the partners as follows:

First Party: .....

Second Party: .....

**7. INTEREST ON CAPITAL:** That interest at the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.

**8. REMUNERATION TO PARTNERS:** The Partners shall be entitled to any remuneration for taking part in the conduct of the business which may be decided mutually by the partners from time to time and that the maximum remuneration payable shall be paid in accordance with Section 40(b) of the Income Tax Act, 1961 to the partners. In the event of losses, the partners may decide whether to pay interest or not.

**This clause may suitably be also drafted as under:**

That all partners shall be working partners and will be entitled for remuneration as hereunder:

In case of Loss: Rs. 1,50,000/-

In case of Book Profit:

On Book Profit upto Rs. 3,00,000- Rs. 1,50,000 or 90% of such book profit whichever is more

On balance book profit exceeding Rs. 3,00,000- 60% of Book Profit exceeding Rs. 3,00,000

The gross allowable remuneration as calculated above, shall be apportioned to the parties in the following ratio:

First Party - ..... Second Party - .....

In cases where neither the amount has been quantified nor even the limit of total remuneration has been specified but the same has been left to be determined by the partners at the end of the accounting period, in such cases payment of remuneration to partners cannot be allowed as deduction in the computation of the firm's income.

**9. DISTRIBUTION OF PROFITS AND LOSSES:** The profit or loss of the firm shall be shared as follows:

- FIRST PARTY: [Profit Sharing Ratio]%
- SECOND PARTY: [Profit Sharing Ratio]%

- 10. WITHDRAWAL OF PROFITS:** Each partner shall be entitled to withdraw out of the profits, money not exceeding Rs. .... in each month, adjustable against the account of the respective partners at the time of annual accounting.
- 11. MANAGEMENT:** The management of the firm shall be conducted by all the partners jointly, and any decision regarding the business shall be taken by mutual agreement.
- 12. EMPLOYMENT OF STAFF:** No apprentice, clerk, or servant shall be employed or dismissed without the consent of all the partners.
- 13. OPERATION OF BANK ACCOUNTS:** The firm shall open a current account in the name of [Partnership Firm Name] at any bank, and such account shall be operated by [First Partner] and [Second Partner] jointly as declared from time to time to the Banks.
- 14. BORROWING:** The written consent of all Partners will be required for the partnership to avail credit facilities from any financial institution.
- 15. ACCOUNTS:** The firm shall regularly maintain, in the ordinary course of business, a true and correct account of all its incoming and outgoing transactions, as well as all its assets and liabilities, in proper books of accounts which shall ordinarily be kept at the firm's place of business. The accounting year shall be the financial year from 1st April onwards, and the balance sheet shall be properly audited as may be required by the law for the time being in force and signed by all the Partners.
- 16. RETIREMENT:** If any partner desires to retire from the firm, he shall give at least one calendar month's notice of his intention to do so. The remaining partners shall pay to the retiring partner or his legal representatives the purchase money of his share in the assets of the firm.
- 17. Continuation after Death:** Notwithstanding anything contained in the Indian Partnership Act, it is hereby mutually agreed to by and between the parties that in case of death of any one or more partners, the firm shall not be dissolved but shall continue to be carried on by and between the surviving partners and legal heirs and/or representatives of the deceased partner, as a continuing concern, on the same terms and conditions as incorporated in this Deed or on such terms and conditions as may be agreed to by and between them from time to time. It is hereby further clarified that it shall be deemed as change in constitution and not succession.
- 18. Mediation:** If a dispute, difference, or controversy arises related to the contract, including its existence, validity, or termination, the parties agree to seek settlement through mediation in accordance with the Mediation Act, 2023. Mediation is a process where a neutral third party helps the disputing parties reach a mutually acceptable solution. The specific location for mediation (city and/or country) is typically specified in this clause.
- 19. Med-Arb Clause:** Any dispute arising out of or relating to this Partnership Deed shall first be submitted to mediation, mediator being ..... in accordance with

the Mediation Act, 2023. If the dispute is not resolved within..... [days/months] from the start of mediation, it shall then be referred to arbitration administered by ..... in accordance with the Arbitration and Conciliation Act, 1996. The mediator may, with the written consent of all parties, also act as the arbitrator. The arbitration award shall be final and binding. Both mediation and arbitration proceedings shall be confidential. The costs shall be borne equally by the parties, unless otherwise agreed or awarded by the mediator/arbitrator.

**20. Branches:** The firm may open branches with mutual consent.

**21. Amendment of Terms:** Terms can be changed by mutual consent, with supplementary deeds executed.

**22. Individual Capacity:** Each Partner enter the partnership in Individual capacities

**23. OWNERSHIP OF PREMISES:** XYZ agrees that the premises for the partnership business are currently leased to them. XYZ consents to the partnership using the premises as long as XYZ remains a partner. If the partnership is dissolved or reconstituted, XYZ will retain sole ownership and control of the premises.

**24. DUTIES OF PARTNERS –**

- (a) Each Partner shall be just and faithful to the other partners in all transactions relating to the partnership business;
- (b) Each partner shall render true accounts and full information of all things affecting the limited liability partnership to any partner or his legal representatives.
- (c) Each partner shall indemnify the partnership firm for any loss caused to it by his fraud in the conduct of the business on account of him;
- (d) No Partner shall without the written consent of other Partners :-
  - Engage or except for gross misconduct, dismiss any employee of the partnership
  - Employ any money, goods or effects of the partnership or pledge the credit thereof except in the ordinary course of business and upon the account or for the benefit.
  - Enter into any bond or become sureties or security with or for any person or do knowingly cause or suffer to be done anything whereby the partnership property or any part thereof may be seized.
  - Assign, mortgage or charge his or her share" in the partnership or any asset or property thereof or make any other person a partner therein.
  - Engage directly or indirectly in any business competing with that of the partnership.

- Lend money or give credit on behalf of the firm or to have any dealings with any persons, company or firm whom the other partner previously in writing have forbidden it to trust or deal with.
- Enter into any bond or become bail or surety for any person or knowingly cause or suffer to be done anything whereby the partnership property may be endangered

In witness whereof, this deed of partnership is signed sealed and delivered this [Day, Month, Year] at [City, State]:

**FIRST PARTNER**

[Address Line 1]  
[Address Line 2]  
[City, State, Pin Code]  
[PAN]

**SECOND PARTNER**

[Address Line 1]  
[Address Line 2]  
[City, State, Pin Code]  
[PAN]

**WITNESS ONE**

[Address Line 1]  
[Address Line 2]  
[City, State, Pin Code]  
[PAN]

**WITNESS TWO**

[Address Line 1]  
[Address Line 2]  
[City, State, Pin Code]  
[PAN]

## **2. Partnership with respect to particular adventure/ Particular partnership**

When a partnership is formed for a specific, limited purpose or project, it is called as a particular partnership. Unlike a general partnership, which operates continuously and engages in various business activities, a particular partnership exists only to accomplish a particular task or undertake a specific venture. Once the objective is achieved or the project is completed, the partnership is typically dissolved.

**Example:**

Three construction companies, ABC Builders, XYZ Developers, and PQR Constructions, decide to come together to construct a new residential complex in a metropolitan city. They form a particular partnership for this specific project.

This particular partnership enables the three companies to collaborate on a specific, time-bound project, leveraging each other's strengths while sharing the risks and rewards associated with the venture

After the sale of the units and distribution of profits, the partnership is dissolved as stipulated in the agreement.

A particular partnership is formed for a specific project or venture and dissolves automatically once that objective is achieved, whereas a normal (or general) partnership is established for continuous, ongoing business operations without a predetermined end date. The activities of a particular partnership are restricted to the agreed-upon project, while a general partnership allows for a broader range of business activities and persists until the partners decide to dissolve it.

**Partnership deed with respect to particular adventure.**

**This partnership deed** is made on this..... day of.....in the year.....amongst :

1. [First Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as FIRST PARTNER. (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "First Part");
2. [Second Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as SECOND PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "Second Part");
3. [Third Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as THIRD PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "Third Part");
4. [Fourth Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as SECOND PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "Fourth Part");

Which expressions shall include the heirs, successors, representatives, executors, administrators and assigns of the respective parties.

Whereas the first party hereto is commencing a business of ..... for the financial year ....., and has been instructed by the relevant authorities to remit a sum of Rs ..... by ..... of this month.

And whereas the first party is unable to arrange payment of the specified sum of money and to independently supervise the said business, he wishes to continue the business in form of partnership,

And whereas the second, third and fourth parties hereto expressed their desire to join the first party as his business partners and to contribute towards capital of the partnership firm and to supervise its business by actively participating in the conduct of the business of the said firm.

And whereas the parties hereto have also decided to reduce in writing the terms conditions and stipulations of the partnership defining the rights, relations and obligations between the parties *inter se*, in order to avoid any confusion and differences resulting in disputes,

Now this deed of partnership witnesses as under :—

1. That the object of the partnership is to run a business of ..... for the financial year...
2. That each party hereto have associated with all the other three joined as their business partner on the ..... day of ..... in the year ..... and a partnership firm consisting of first party, second party, third party and fourth party hereto has come into being on the said.....
3. That the partnership business shall be run in the name and style of..... The parties hereto may change the name of the partnership firm with their mutual consent.
4. That the principal place of the business for the partnership business shall be..... The parties may change the principal place of business to any other place within the area which is covered by the business operations ..... The partnership firm may open branch or branches in accordance with the requirements of the business anywhere within their area of operation or as decided by all the partners together.
5. The partners and their successors shall continue as partners from the date of this deed for one year, provided at least two partners remain alive. If a partner dies, their heirs, successors, representatives, executors, administrators, assigns, and nominees will become partners in their place, according to the provisions in this agreement.
6. That any partner may retire from the partnership and for that purpose he shall be required to give a month's notice to other parties hereto and after retirement of such partner, the remaining parties or their heirs, successors, representatives, executors, administrators, assigns or nominees shall continue the partnership business on the terms conditions and stipulations contained herein.

7. Any partner may sell or mortgage their share, but must first offer it to the other partners via registered letter, who have the first right to purchase it at a value set by an auditor. If the outgoing partner rejects this valuation, a second auditor will assess, and the average of the two valuations will be final and binding.
8. That every partner shall attend diligently to the business of the partnership firm and carry on the same for the greatest advantage of the partners of the firm.
9. That no partner shall have authority to sell-Off or encumber any of the assets of the firm, borrow any money or incur any liability on behalf of the firm without consent of the all other partners of the firm.
10. If any partner breaches the terms of this agreement, they will receive a show cause notice. If their explanation is unsatisfactory, they may be expelled from the partnership.
11. That the capital of the partnership firm shall be the sum of Rs. ... made up and raised by contribution of the parties hereto in the following manner :

First party - Rs. ... ..	by way of deposit into	Rs. ...	in cash
the Treasury at the time of auction.			
Second party		Rs. ....	in cash
Third party		Rs. ....	in cash
Fourth party		Rs. ....	in cash

The capital of the partnership firm may be increased in accordance with the requirement of the business of the partnership firm and each party hereto shall contribute towards capital of the firm to such an extent as is decided by the parties mutually in this regard.
12. That the parties hereto shall be entitled to interest on the amount contributed towards the capital of the firm and the firm shall pay them interest on such amount at the rate of ..... per cent per annum.
13. That each party hereto shall participate in conduct of the business of the partnership firm actively and diligently to the greatest common advantage of the partnership, and shall be just and faithful to each other and shall render true account and full information of all things affecting the firm to the other partners.
14. That the partners of the firm shall be entitled to draw salary at the rate of Rs. .... per month.
15. That true and proper account of the business affairs of the partnership firm shall be maintained in the regular course of business and each party hereto shall have access to such account and entitled to have copies of such books of accounts. Such books of accounts shall be kept at the principal place of business of the partnership firm.

16. That accounting year of the partnership firm shall be from 1st day of April to 31st day of March consisting of twelve months.
17. That at the close of the accounting year, the accounts of the partnership firm shall be closed and trading account profits and loss account and balance sheet shall be drawn and the profit or the loss, as the case may be, shall be distributed amongst the parties hereto in the manner provided in clause 18 hereto.
18. That the profit or the loss as the case may be, shall be divisible amongst the parties hereto in the following proportion :
  1. First party .....%
  2. Second party...%
  3. Third party..... %
  4. Fourth party ..... %
19. That if any party hereto, on request of the other parties advances any money to the firm over and above his share in the capital of the firm, he shall be entitled to interest on such amount of advance @ .....% per annum.
20. That the parties hereto shall be entitled to charge interest on their contribution towards capital of the firm at the rate of ..... per cent per annum.
21. That the partnership shall stand dissolved on the thirty first day of March..... or on a date when date prescribed for the business terms of operation.
22. This partnership shall be dissolved upon the completion of the specific project or business undertaking for which it was formed, or upon mutual agreement in writing by all partners.
23. That all parties hereto shall be entitled to draw out such sum not exceeding Rs .... in each month as may be mutually agreed upon by them.
24. That account of the partnership firm shall be opened in a bank which shall be operated by joint signature of any two of the parties hereto.
25. That any party found guilty of breach of the terms and conditions of the partnership contained herein shall be expelled from the partnership provided, he shall be given an opportunity to explain his conduct and if his explanation is found not satisfactory such expulsion shall be affected.
26. Med-Arb Clause: Any dispute arising out of or relating to this Partnership Deed shall first be submitted to mediation, mediator being ..... in accordance with the Mediation Act, 2023. If the dispute is not resolved within..... [days/months] from the start of mediation, it shall then be referred to arbitration administered by ..... in accordance with the Arbitration

and Conciliation Act, 1996. The mediator may, with the written consent of all parties, also act as the arbitrator. The arbitration award shall be final and binding. Both mediation and arbitration proceedings shall be confidential. The costs shall be borne equally by the parties, unless otherwise agreed or awarded by the mediator/arbitrator..

27. That for other matters not specifically mentioned in this deed of Partnership, the provisions of the Indian Partnership Act 1932, shall apply.

In witness whereof the parties hereto have signed this deed in presence of the witnesses under named on the date aforementioned at .....

Signed, Sealed and delivered by ..... the first , party, in presence of :                      Signature

.....  
.....

Signed, Sealed and delivered by ..... the second party, in presence of :                      Signature

.....  
.....

Signed, Sealed and delivered by ..... the third party, in presence of :                      Signature

.....  
.....

Signed, Sealed and delivered by..... the fourth party, in presence of :                      Signature

### **3. Deed of Partnership between Professionals**

This partnership deed is made on this..... day of.....in the year.....amongst :

1. [First Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... holding certificate of practice issued by ICAI hereinafter referred to as FIRST PARTNER.
2. [Second Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... holding certificate of practice issued by .....ICAI hereinafter referred to as SECOND PARTNER.
3. [Third Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... holding certificate of practice issued by .....ICAI hereinafter referred to as Third PARTNER.

**WHEREAS** the parties hereto have agreed to commence carry on business/profession in partnership and it is expedient to have a written instrument of partnership.

**WHEREAS** the parties hereto have mutually agreed to carry on business/profession of..... (here describe the business) and to share the profits and losses of the said business/profession in partnership between themselves and they have with that object constituted themselves into a firm of partners under the name and style of M/s..... (here give the name of the firm).

(The expression the party of the First Part, the party of the Second Part and the party of the Third Part unless they are inconsistent to the context or meaning thereof, mean and include their respective heirs, executors, administrators and assigns.)

THAT ALL the parties hereto being the parties of the First Part, Second Part and Third Part have agreed to practice as.....Chartered Accountants in Partnership with each other on the terms and conditions contained herein, and the parties hereto have desired to put in writing the terms and conditions of their said partnership.

The terms and conditions agreed to by and between the parties hereto witnesses:

1. **NAME AND ADDRESS:** The Partnership business/profession shall be carried on under the name and style of.....presently from [address of head office] as the Head Office of the Firm and/or at any other place/s as will be decided mutually by the parties hereto and/or to open its branches at any other place or places and/or form associates hip with other professionals ..... subject to the approval of the Council of ICAI.
2. **COMMENCEMENT:** The Partnership shall be deemed to have commenced on and from the day approval is received from the Council of The Institute of Chartered Accountants of India as per the provisions Section 2(2) of the Chartered Accountants Act, 1949 and Regulation 53B of the Chartered Accountants Regulations, 1988.
3. **BUSINESS/PROFESSION:** The business/profession of Partnership shall be all those activities that can be carried on by a Chartered Accountants within the meaning of the Chartered Accountants Act, 1949.
4. **PAYMENT OF RENT AND EXPENSES:** The rent, and all taxes, duties, repairs, and outgoings in respect of the said place or places of business of the partnership shall be paid out of the partnership.
5. **INDEPENDENT PRACTICE CLAUSE:** The Partners will be/will not be allowed to continue with their independent practice. (Optional Clause)
6. **DISTRIBUTION OF PROFITS AND LOSSES:** The Net Profit or Loss of the Partnership business/ profession as arrived at after adjustment of salary, bonus, commission and interest to the partners, shall be divided between the parties as follows:
  - a. First party .....%
  - b. Second party...%
  - c. Third party..... %

**6. ACCOUNTING YEAR:** The accounting year of the Partnership shall be the year ending on the last day of March every year. The Final Accounts as will be drawn up at the close of the year shall be countersigned by all the parties hereto as a token of acceptance.

**7. MANAGEMENT:** The management of the firm shall be conducted by all the partners jointly, and any decision regarding the business shall be taken by mutual agreement.

**8. OPERATION OF BANK ACCOUNTS:** The firm shall open a current account in the name of [Partnership Firm Name] at any bank, and such account shall be operated by [First Partner], [Second Partner] and [Third partner] jointly as declared from time to time to the Banks.

**9. BOOKS OF ACCOUNTS:** The firm shall regularly maintain, in the ordinary course of business, a true and correct account of all its incoming and outgoing transactions, as well as all its assets and liabilities, in proper books of accounts which shall ordinarily be kept at the firm's place of business/profession. The accounting year shall be the financial year from 1st April onwards, and the balance sheet shall be properly audited and signed by all the Partners.

**10. CAPITAL OF THE FIRM:** The capital of the firm for the time being is fixed at Rs. .... (Rupees .....) only, which has been contributed by the partners as follows:

First Party: .....

Second Party: .....

Third Party:.....

**11. WORKING PARTNERS:** That all the parties hereof shall be the working partners of the firm/Party of the and take active part in the day-to-day conduct of the business of the firm/party of the ..... Part, ... Part (etc.) shall be the working partners of the firm.

**12. SALARY:** That the partners of the firm shall be entitled to draw salary at the rate of Rs. .... per month.

**13. INTEREST ON CAPITAL:** That interest at the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.

**14. DURATION OF PARTNERSHIP:** THAT THE PARTNERSHIP shall be AT WILL.

**15. RETIREMENT:** If any partner desires to retire from the firm, he shall give at least one calendar month's notice of his intention to do so. The remaining partners shall pay to the retiring partner or his legal representatives the purchase money of his share in the assets of the firm.

**16. DISSOLUTION OF PARTNERSHIP:** The death, insolvency or lunacy of any partner shall not automatically dissolve the Partnership. Death or Insolvency of any partner shall not dissolve the Firm but at the happening of such contingency arising in the case of parties hereto, such partner shall be deemed to have retired from the partnership as on the date of such contingency and his heir shall be paid by or shall pay to the Firm the amount due as if such partner has retired on the date of such contingency. In the case of such contingency even sole surviving partner shall carry on business for a maximum period of 60 days within which either the business is discontinued or new partner is taken and his inclusion is approved by appropriate authorities.

**17. ADMISSION OF NEW PARTNER:** The parties hereto may admit a new partner or partners only with the consent of all the existing partners in writing and on such terms and conditions as may be mutually agreed upon subject to the approval of the Council of ICAI.

No partner or the Partnership firm shall be liable and/or responsible for the personal debt and/or liabilities of any other partner or partners.

**18. GOVERNING LAW:** In respect of matters not specifically provided herein, the Partnership shall be governed by the provisions of the Indian Partnership Act, 1932.

**19. Med-ARB Clause:** Any dispute arising out of or relating to this Partnership Deed shall first be submitted to mediation, mediator being ..... in accordance with the Mediation Act, 2023. If the dispute is not resolved within..... [days/months] from the start of mediation, it shall then be referred to arbitration administered by ..... in accordance with the Arbitration and Conciliation Act, 1996. The mediator may, with the written consent of all parties, also act as the arbitrator. The arbitration award shall be final and binding. Both mediation and arbitration proceedings shall be confidential. The costs shall be borne equally by the parties, unless otherwise agreed or awarded by the mediator/arbitrator.

**20. AMMENDMENT OF TERMS:** Terms can be changed by mutual consent, with supplementary deeds executed.

**21. EXCLUSIVE PROFESSIONAL ENGAGEMENT CLAUSE:** It is hereby declared that all the partners are fully engaged in the practice of profession of Chartered Accountancy and engaged in no other occupation/salaried employment.

IN WITNESSETH WHEREOF the parties to the above presents have hereunto set and subscribed their respective signatures and seals on the day, month and year first hereinabove written.

Signed, Sealed and delivered by ..... the first , party, in presence of :                      Signature

.....  
.....

Signed, Sealed and delivered by ..... the second party, in presence of :                      Signature

.....  
.....  
Signed, Sealed and delivered by ..... the third party, in presence of :      Signature  
.....  
.....

#### **4. Deed of partnership converting proprietary firm into partnership**

This partnership deed is made on this..... day of.....in the year.....amongst:

1. [First Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as FIRST PARTNER. (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "First Part");
2. [Second Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN..... hereinafter referred to as SECOND PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the "Second Part");

Whereas the first partner has been carrying on business dealing in. ....,

**AND WHEREAS** the first partner felt need of one more hand to strengthen the efficiency in the business supervision and to add more capital to the firm and was looking out for some suitable person to join him.

**AND WHEREAS** the second partner was also willing to carry on some business in partnership and he expressed his desire to join the first partner to form a partnership firm and carry on the business of .....

**AND WHEREAS** the partners also decided to reduce in writing the terms, conditions and stipulations of the partnership defining the rights, relations and obligations of parties inter se;

Now this deed of partnership executed by the parties hereto witnesses as under :—

1. That the first partner and the second partner have joined each other today and have formed a partnership firm to carry on business.
2. That the partnership business shall be carried on in the name and style of .....
3. That the first partner was carrying on business of ..... The partnership firm has taken over the proprietary business of the first partner along with all the assets and liabilities

thereof. The assets and liabilities thereof have been valued at by a chartered accountant and valuation done by the said chartered accountant is accepted by the partners. The net asset value of the proprietary firm as on today works out at Rs.....which shall be treated as contribution of the first partner towards capital of the partnership firm.

4. That the shop, godowns and office of the erstwhile proprietary firm in owned by the first partner. The partnership firm shall carry on business from the same places. However, it has been specifically agreed that the second partner shall in no way acquire any right title or interest in the said business premises owned by the first partner whatsoever.
5. That the partnership firm shall carry business of..... . The partners have agreed to divide the area of operation of the partnership firm in two divisions and each division shall be put in the charge of each partner who shall be responsible for allowing respective operation at his sole discretion and collection of dues of the firm outstanding against them.
6. That the principal place of the business shall be at as described in clause 4 hereof. The partnership firm may open branch or branches according to the need of the business with mutual consent of each other.
7. That the capital of the partnership firm shall be formed by contribution from the partners. The assets of the erstwhile proprietary firm of the first partner have been valued at ..... and takeover by the partnership firm. This sum of Rs..... has been taken as contribution by the first partner towards capital of the firm. The second partner shall contribute equal amount soon after execution of this deed. The capital of the firm may be increased with the mutual consent of the parties hereto and by contribution from them or borrowings from the market.
8. That interest at the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.
9. The firm shall regularly maintain, in the ordinary course of business, a true and correct account of all its incoming and outgoing transactions, as well as all its assets and liabilities, in proper books of accounts which shall ordinarily be kept at the firm's place of business. The accounting year shall be the financial year from 1st April onwards, and the balance sheet shall be properly audited and signed by all the Partners.
10. That the partners shall not carry on any other business or profession and devote their full time towards the business of the partnership firm.

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11. That each partner shall draw salary from the firm at the rate of ..... per month, which may be increased in future from time to time with the mutual consent of each partner.
12. The firm shall open a current account in the name of [Partnership Firm Name] at any bank, and such account shall be operated by [First Partner] and [Second Partner] jointly as declared from time to time to the Banks.
13. That accounting year of the partnership firm shall be from first day of April to thirty first day of March every year and at the end of such accounting year accounts shall be closed, trading account, profit and loss account and balance sheet shall be drawn.
14. The profit or loss of the firm shall be shared as follows:
  - FIRST PARTY: [Profit Sharing Ratio]%
  - SECOND PARTY: [Profit Sharing Ratio]%
15. That the firm shall stand dissolved on the death or retirement of any of the two partner hereof and the assets and liabilities of the partnership firm shall be dealt with in accordance with the provisions of the Indian Partnership Act, 1932.
16. That any disputes or differences arising out between the partners or their representatives with regard to construction meaning and effect of this deed or any part thereof or rights and liabilities of the partners under this deed or the accounts of the partnership business or any other matter relating to the firm shall be referred to arbitration of ... S/o residing at... and the award given by said arbitration shall be final and binding on the parties subject to the provisions of the Arbitration and Conciliation Act, 1996.
17. That for all other matters not specifically mentioned in this deed, the provisions of the Indian Partnership Act, 1932 shall apply.

In witness whereof the parties hereto have signed this deed in presence of the witnesses under named on the date aforementioned at .....

Signed, Sealed and delivered by ..... the first , party, in presence of :                      Signature

.....

.....

Signed, Sealed and delivered by ..... the second party, in presence of :                      Signature

## 5. Agreement Introducing A New Partner In The Existing Partnership

**THIS AGREEMENT** executed at ..... this ..... day of ....., between A, son of .....residing at ..... having PAN.....; B, son of ..... residing at ..... having PAN.....(hereinafter collectively referred to as the "Existing Partners") of the FIRST PART and C, son of ..... residing at ..... having PAN..... (Hereinafter referred to as the "New Partner") of the SECOND PART.

**WHEREAS** the Existing Partners are currently engaged in the business of ..... under the name and style of M/s. .... at ..... as per Deed of Partnership dated ....., registered with ..... having unique registration no.....since.....

**AND WHEREAS** at the behest of the New Partner, the Existing Partners have agreed to induct him as a partner in the partnership and in consideration of the New Partner contributing the sum of Rs. ....towards the capital of the partnership. It is hereby agree

### **Background:**

#### **Admission of New Partner:**

The Partnership hereby admits the New Partner as a partner effective from [Effective Date].

The New Partner shall have the same rights, privileges, and obligations as the existing partners, as outlined in the Partnership Agreement.

The New Partner shall contribute [Specify Contribution] to the Partnership in accordance with the terms agreed upon by all partners.

#### **Agreement on Partnership Firm's Name:**

The partners hereby agree on the current name of the Partnership Firm, which shall be [Current Name].

Any change to the Partnership Firm's name shall require mutual consent from all partners.

#### **Agreement on Principal Place of Business:**

The principal place of business of the Partnership shall be [Current Address].

Any change to the principal place of business shall require mutual consent from all partners.

#### **Continuation and Expansion of Processing Activities:**

The Partnership shall continue its current processing activities and may expand its operations with mutual consent from all partners.

**Specification of Capital Contributions and Future Increase:**

Each partner shall specify their capital contribution as follows: [List Capital Contributions].

Provision is made for future capital increases, subject to mutual agreement among the partners.

**Agreement on Active Participation, Fidelity, and Transparency:**

All partners agree to actively participate in the affairs of the Partnership, uphold fidelity, and maintain transparency in all dealings.

**Salary Provisions and Potential Increase:**

Salary provisions for each partner are outlined as follows: [Specify Salary Provisions].

Any increase in partner salaries shall require mutual consent from all partners.

**Partnership at Will:**

The Partnership shall be at will and may be dissolved by mutual agreement among the partners.

**Maintenance of Proper Accounts and Inspection:**

Proper accounts of the Partnership shall be maintained, and all partners shall have the right to inspect the accounts at any reasonable time.

**Specification of Accounting Year and Profit/Loss Distribution:**

The accounting year of the Partnership shall be from [Start Date] to [End Date].

Profit and loss distribution among partners shall be as follows: [Specify Distribution Percentages].

**Opening and Operation of Partnership Bank Account:**

A partnership bank account shall be opened in the name of the Partnership, and its operation shall require signatures from [Specify Requirements].

**Restrictions on Individual Partner Powers:**

Individual partner powers shall be restricted as follows: [Specify Restrictions].

**Confirmation of Individual Capacity Partnership:**

Each partner confirms their capacity to enter into this Partnership Agreement individually.

**Provision for Supplementary Deeds:**

Supplementary deeds may be executed for any changes in the terms of the Partnership, subject to mutual agreement among the partners.

**Requirement for Auditing Partnership Accounts:**

The Partnership accounts shall be audited annually by a qualified auditor appointed by mutual agreement among the partners.

**Continuation After the Death of a Partner:**

The Partnership shall continue after the death of a partner, subject to the terms outlined in this Agreement.

**Expulsion of a Partner:**

A partner may be expelled for breach of terms, with a provision for explanation and resolution as outlined in this Agreement.

**Full-Time Commitment to the Partnership:**

All partners agree to commit full-time to the affairs of the Partnership and refrain from engaging in any activities that may conflict with the interests of the Partnership.

**Arbitration Clause:**

Any disputes arising out of or in connection with this Agreement shall be resolved through arbitration in accordance with [Specify Arbitration Rules].

**Application of Indian Partnership Act, 1932:**

Matters not explicitly covered in this Agreement shall be governed by the provisions of the Indian Partnership Act, 1932, as follows:

**IN WITNESS WHEREOF**, the parties hereto have hereunto set and subscribed their respective hands, the day and year first above written.

SIGNED AND DELIVERED BY: A B C

**WITNESSES:**

1

2

## 6. Agreement Introducing A Minor Partner In The Existing Partnership

**THIS AGREEMENT** executed at ..... this [Date, Month, Year], between A, son of .....residing at ..... having PAN.....; B, son of ..... residing at ..... having PAN.....(hereinafter collectively referred to as the "Existing Partners") of the FIRST PART and C, son of ..... residing at ..... having PAN..... (Hereinafter referred to as the "New Partner") of the SECOND PART.

**WHEREAS** the Existing Partners are currently engaged in the business of ..... under the name and style of M/s. .... at ..... as per Deed of Partnership dated ....., registered with ..... having unique registration no.....since.....

**AND WHEREAS** at the behest of the Minor X Partner, the Existing Partners have agreed to induct him as a partner in the

### **Formation of Partnership**

All the three parties named herein above have joined each other their hands to carry on the business as business partners on this ... day of ... and day of ... in the year ... and have formed a partnership firm.

### **Business Name and Style**

The business of the partnership shall be carried on in the name ... which may be changed or such other name as may be agreed mutually by the partners from time to time. at any time with the mutual consent of each other.

### **Principal Place of Business**

The principal place of the business shall be at ... and the .....shall be erected and established in the revenue village of ... tehsil or from such other place as may be agreed mutually by the partners from time to time

### **Capital Contribution**

All three parties shall contribute towards the capital of the partnership firm in equal proportion. The initial capital of the firm shall be Rs..... , which may be increased if the business requires.

### **Land Lease**

S/° ... residing at ... is seized and possessed with .....acres of land in the said revenue village. The said land has been leased to the partnership firm for ..... years for business.....

**Full-Time Commitment**

Each party shall devote his full time towards the business of the partnership firm.

**Exclusivity of Business**

None of the parties shall carry on any business except as a partner of the firm.

**Interest on Capital**

Each party shall be entitled to interest at the rate of ... percent per annum on the amount contributed by him to the capital of the firm. However, the maximum interest shall not exceed the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.

**Salary**

Each party shall draw a salary of Rs. ..../- per month. The salary may be increased with the mutual consent of the parties from time to time.

**Individual Capacity**

The parties have joined the partnership firm in their individual capacity and not in any representative capacity.

**Accounting and Records**

True and proper accounts of the partnership business shall be maintained. The partnership firm shall keep cashbook, ledger, purchase invoices, cash memos, bills, bill books, Pathai register, Bharai register, nikasi register, stock register of in burnt and manufactured bricks, coal register, and sale register in the regular course of business. These books shall be kept at the brick kiln and open to inspection by all parties, who may take extracts therefrom.

**Accounting Year**

The accounting year of the partnership firm shall be from April 1st to March 31st. The accounts shall be closed on March 31st every year, when the trading account, profit and loss account, and balance sheet shall be drawn, and profits shall be divided amongst the parties and the minors admitted to the benefits of the partnership in the proportions provided herein.

**Partnership at Will**

The partnership shall be at will.

**Profit and Loss Distribution**

The profit shall be distributed as follows:

First party: 30%

Second party: 30%

Third party: 30%

Minor X:10%

**The loss shall be divided as follows:**

First party: 30%

Second party: 30%

Third party: 40%

Profits or losses shall be credited or debited to the accounts of the parties and the minors admitted to the benefits of the partnership.

**Bank Accounts**

Accounts of the partnership firm shall be opened in ... bank and ... bank, operated by the joint signatures of any two parties. The firm may open more than one account of different natures.

**Guardian's Role**

S/° ... residing at ... who is the father of the minors admitted for the benefits of the partnership firm, shall sign this deed and transact with the partnership firm on their behalf.

**Liability of Minors**

Minors admitted to the benefits of the partnership shall not be personally liable for any act of the partnership firm.

**Credit Sales**

Credit sales shall be made only with the consent of all parties.

**Representation**

The first party shall represent the firm in all proceedings before any authority or court of law.

**Continuation of Partnership**

The partnership shall not be dissolved on the death or retirement of any party. On the death of any party, his heir, successor, or nominee shall be taken as a partner on the same terms. On retirement, a new partner may be introduced with mutual consent.

**Dispute Resolution**

Disputes shall be referred to arbitration by S/° ... residing at ..., whose award shall be final and binding, subject to the Arbitration and Conciliation Act, 1996.

**Applicable Law**

For all matters not specifically mentioned in this deed, the provisions of the Indian Partnership Act, 1932 shall apply.

In witness whereof, the parties hereto along with the guardian of the minors have signed this deed of partnership on the date aforementioned at ...

Signed, sealed, and delivered by:

**The first party:**

Signature: ...

In presence of...

**The second party:**

Signature: ...

In presence of...

**The third party:**

Signature: ...

In presence of..

**Guardian of the minors:**

Signature: ...

In presence of:...

**7. Partnership deed on minor, attaining majority and electing to become partner**

This Deed of Partnership is executed on this \_\_\_ day [Date, Month, Year] amongst:

First Party: \_\_\_, aged \_\_\_, S/o \_\_\_, residing at \_\_\_, hereinafter described as the first party,

Second Party: \_\_\_, aged \_\_\_, S/o \_\_\_, residing at \_\_\_, hereinafter described as the second party,

Third Party: \_\_\_, aged \_\_\_, S/o \_\_\_, residing at \_\_\_, hereinafter described as the third party, and

Fourth Party: \_\_\_, aged \_\_\_, S/o \_\_\_, residing at \_\_\_, hereinafter described as the fourth party,

Which respective expressions shall, unless repugnant to contrary to the subject or the context, mean and include their heirs, successors, executors, administrators, nominees, representatives, and assigns of the respective parties.

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The partnership firm has been carrying on business in the name and style of \_\_\_ vide Deed of Partnership executed on \_\_\_, constituted by the first, second, and third parties hereto, admitting the fourth party to the benefits of the partnership as he was a minor at that time.

The deed of partnership of the said partnership executed on \_\_\_ provided, amongst other things, that the minor admitted to the benefits of the partnership, i.e., the fourth party hereto, shall have the right to elect to become a partner of the firm on attaining his majority.

The said minor has attained majority today and has also elected to become a partner of the firm and has agreed to the terms and conditions of the partnership.

To reduce the terms and conditions of the partnership to define the rights, relations, and obligations of the parties inter se and to avoid unnecessary confusions leading to differences amongst the parties in future, they have also decided to execute a partnership deed.

Now this deed of partnership executed by the parties in the circumstances stated above witnessed as under:

**Partnership Formation:** All the four parties hereto have joined each other to become partners and have reconstituted the partnership with effect from today.

**Business Name:** The partnership firm shall continue to carry on business in the name and style of \_\_\_, which may be changed mutually by the parties hereto.

**Principal Place of Business:** The principal place of the business of the partnership firm shall remain at \_\_\_, provided the parties hereto may mutually decide to change it from time to time.

**Branch Offices:** Branch or branches of the partnership firm may be opened/closed according to the business requirements of the firm.

**Business Activities:** The partnership firm shall continue the business of manufacture and sale of .....

**Capital Contribution:** The parties hereto shall contribute the following sums towards the capital of the partnership firm:

First party: Rs. \_\_\_\_

Second party: Rs. \_\_\_\_

Third party: Rs. \_\_\_\_

Fourth party: Rs. \_\_\_\_

Thus, the capital of the partnership firm shall be Rs. .... which may be increased in the future, and the parties shall contribute such further sum of money to the firm as is decided mutually by them.

**Interest on Capital:** Each party hereto shall be entitled to interest on the amount of capital standing to his credit in the books of account of the firm. However, the maximum interest shall

not exceed the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.

**Profit and Loss Sharing:** Profit or loss, as the case may be, of the firm shall be shared by the parties hereto in the following proportion:

First party: \_\_\_%

Second party: \_\_\_%

Third party: \_\_\_%

Fourth party: \_\_\_%

**Account Maintenance:** True and proper accounts of the partnership business shall be maintained in the regular course of business of the firm. The first party hereto shall be responsible for keeping such accounts up to date at all times. Parties hereto shall have access to such accounts and shall be entitled to take extracts therefrom.

**Accounting Year:** The accounting year of the partnership firm shall be from the first day of April to the thirty-first day of March, consisting of twelve months. At the end of the accounting year, the accounts of the firm shall be closed, and trading account, profit and loss account, and balance sheet shall be drawn, and the share in profit or loss, as the case may be, of the parties hereto shall be ascertained and credited/debited to their respective accounts.

**Bank Accounts:** The partnership firm shall open its account in \_\_\_ bank and \_\_\_ bank, which shall be operated by the signatures of any two of the parties hereto. However, any party hereto shall be empowered to issue cheques under his signature for an amount not exceeding five thousand only, but any party hereto shall not issue more than three cheques in a calendar month.

**Audit:** The accounts of the partnership firm shall be got audited within two months from the date of finalization of the balance sheet or within five months from the date of closure of the accounts. Objections raised by the auditors shall be considered by the parties hereto within two weeks from receipt thereof, and compliance of the audit report shall be done accordingly.

**Rights and Duties of Parties:**

- Each party hereto shall:
- Have the right to take part in the conduct of the partnership business,
- Attend diligently to his duties in the conduct of the business,
- Have access to the accounts of the firm,
- Be faithful to each other,

## **CA's Handbook on Drafting Partnership Deeds**

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- Render true and correct accounts and disclose full information of all things affecting the firm or the parties or their representatives,
- Indemnify the firm and the other partners thereof for any loss or damage caused due to negligence on his part in the conduct of the business of the firm.

**Restrictions on Parties:** Any party hereto shall not:

- Submit a dispute relating to the business of the firm to arbitration,
- Open a banking account on behalf of the firm in his own name,
- Compromise or relinquish any claim or part thereof by the firm,
- Withdraw any suit or proceedings filed on behalf of the firm,
- Admit any liability in a suit or proceeding against the firm,
- Acquire any immovable property on behalf of the firm,
- Transfer any immovable property belonging to the firm,
- Enter into partnership on behalf of the firm:

Provided any party shall be empowered to do any or all acts enumerated hereinabove if a resolution passed by all the parties hereto has authorized him to carry out such work on behalf of the firm.

**Continuity of Partnership:**

The firm shall not dissolve on the death of any party hereto. The nominee or heir of the deceased shall be admitted to the partnership on the same terms and conditions which were applicable in the case of the deceased.

**Dispute Resolution:**

In case of any dispute in regard to the construction of this deed or in respect of the rights, relations, and obligations of the parties hereto, the matter shall be referred to the arbitration of \_\_\_\_, S/o \_\_\_\_, residing at \_\_\_\_, and the award given by the said arbitrator shall be final and binding on the parties hereto subject to the provisions of the Arbitration and Conciliation Act, 1996.

In witness whereof the parties have signed this deed on the date aforementioned at \_\_\_\_.

Signed, sealed, and delivered by the first party, in presence of:

Signed, sealed, and delivered by the second party, in presence of:

Signed, sealed, and delivered by the third party, in presence of:

Signed, sealed, and delivered by the fourth party, in presence of:

## 8. Agreement Introducing A New Partner In The Existing Partnership : As supplementary Deed

**THIS AGREEMENT** executed at ..... this [Date, Month, Year], between A, son of .....residing at ..... having PAN.....; B, son of ..... residing at ..... having PAN.....(hereinafter collectively referred to as the "Existing Partners") of the FIRST PART and C, son of ..... residing at ..... having PAN..... (Hereinafter referred to as the "New Partner") of the SECOND PART.(which respective expressions shall, unless repugnant to the contrary to the subject or the context, mean and include their respective heirs, successors, executors, administrators, nominees, representatives, and assigns of the respective parties)

**WHEREAS** the Existing Partners are currently engaged in the business of ..... under the name and style of M/s. .... at ..... as per Deed of Partnership dated ....., registered with ..... having unique registration no.....since.....

**AND WHEREAS** at the behest of the New Partner, the Existing Partners have agreed to induct him as a partner in the partnership and in consideration of the New Partner contributing the sum of Rs. ....towards the capital of the partnership. It is hereby agreed as follows:

1. This Agreement supplements the existing deed of partnership dated ....., registered with ..... having unique registration no.....since....., executed between the existing partners.
2. With effect from the date hereof, the New Partner shall be admitted as a partner with the Existing Partners subject to the terms and conditions of the existing partnership deed except as otherwise provided herein.
3. The capital of the partnership firm shall be Rs..... contributed by the parties hereto in equal one-third shares and the partners shall be entitled to share the profits and bear the losses of the partnership in proportion to their respective shares in the partnership.
4. The Existing Partners shall be liable for the debts, liabilities, and obligations of the old partnership. They shall indemnify and keep indemnified the New Partner and all the assets and rights of the partnership firm against such debts, liabilities, and obligations, as well as against all proceedings, costs, claims, and expenses in respect thereof.
5. Except as expressly modified by this agreement, the existing partnership deed dated ....., registered with ..... having unique registration no..... shall continue in full force, effect and shall be read and construed as if the same had been executed by the Existing Partners and the New Partner hereto.

**IN WITNESS WHEREOF**, the parties hereto have hereunto set and subscribed their respective hands, the day and year first above written.

SIGNED AND DELIVERED BY: A B C

**WITNESSES:**

- 1
- 2

## **9. Death of partner**

### **Non-Dissolution of Firm Upon Death:**

If there is an agreement among the partners that the firm will not dissolve upon the death of one of the partners, then the estate of the deceased partner is not liable for any actions of the firm performed after the partner's death.

### **Dissolution Due to Death:**

If the firm does dissolve upon the death of a partner (unless otherwise agreed), any transactions carried out by the surviving partners or the representatives of the deceased partner, before the affairs of the firm are fully wound up, are subject to the provisions of clause (a) of section 16. This likely refers to rules governing the conduct and obligations of partners during the winding up process.

### **Personal Profits and Goodwill:**

If a partner or their representative has purchased the goodwill of the firm, the provisions do not affect their right to use the firm's name. This implies that the purchaser of the goodwill maintains certain rights, including the use of the firm's name, irrespective of the dissolution.

### **PARTNERSHIP DEED OF RECONSTITUTED FIRM ON DEATH OF A PARTNER**

**THIS AGREEMENT** executed at ..... this [Date, Month, Year], between A, son of .....residing at ..... having PAN.....; B, son of ..... residing at ..... having PAN.....(hereinafter collectively referred to as the "Existing Partners") of the FIRST PART and C, son of ..... residing at ..... having PAN..... (which respective expressions shall, unless repugnant to the contrary to the subject or the context, mean and include their respective heirs, successors, executors, administrators, nominees, representatives, and assigns of the respective parties)

**WHEREAS** the Partners are currently engaged in the business of ..... under the name and style of M/s. .... at ..... as per Deed of Partnership

dated ....., registered with ..... having unique registration no.....since.....

**AND WHEREAS** all expressions, unless inconsistent with the subject or the context, shall mean and include the heirs, successors, representatives, executors, administrators, nominees, and assigns of the respective parties.

**AND WHEREAS** the partnership firm was hitherto carrying on the business of .....in the name and style of "....." having its principal place of business at ..., in which the first party, second party, and the third party along with S/o ... were partners;

**AND WHEREAS** the partnership deed executed by the partners of the erstwhile partnership firm provided that the partnership firm shall not dissolve on the death of a partner and anyone nominated by the deceased, with the consent of all the legal heirs of the deceased/as per the last will or probate/as per the Court's Order etc.(to be suitably selected), shall be taken as a partner in place of the deceased, and the partnership business shall continue on the same terms and conditions;

**AND WHEREAS** the deceased has nominated the fourth party hereto to succeed the deceased;

**AND WHEREAS** the fourth party hereto has reviewed the terms and conditions of the partnership and has agreed to join the firm as a partner;

Now this deed of partnership witnesseth as under:

**Admission of New Partner**

The fourth party has joined the first, second, and third parties to become a partner on the date of execution hereof.

**Business Name**

The business of the partnership firm shall continue to be run in the name and style of ".....". The parties may, with mutual consent, change the name of the firm.

**Principal Place of Business**

The principal place of the business shall remain at ..., which may be changed future, as per the mutual decision of the parties.

**Commencement of Business**

The re-constituted partnership business shall be deemed to have commenced the business effective from today.

**Capital Contribution**

The capital of the deceased partner standing to his credit as of today has been transferred in the name and to the credit of the fourth party. Similarly, the capital standing to the credit of the

first, second, and third parties in the books of the erstwhile partnership firm has been transferred into the books of the reconstituted firm and credited to their respective accounts. Details of such capital are provided in the schedule below.

**The Schedule: Capital Standing to the Credit of the Parties as on Today**

First party: Rs. ...

Second party: Rs. ...

Third party: Rs. ...

Fourth party: Rs. ...

**Conduct of Business**

The parties hereto shall carry on the business of the partnership firm to the greatest common advantage, shall be just and faithful to each other, and shall render true accounts and full information of all things affecting the firm or any partner or his legal representative.

**Full-Time Commitment**

Every party hereto shall devote his full time to the business of the partnership firm and shall have no right or interest in any business except that of the firm.

**Salary**

The parties hereto shall be entitled to draw a salary of Rs. ... per month from the partnership firm.

**Interest on Capital**

The parties hereto shall also be entitled to interest on the capital standing to their credit in the books of the partnership firm. However, the maximum interest shall not exceed the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.

**Accounting Year**

The accounting year of the partnership firm shall be from April 1st to March 31st. Accounts of the partnership firm shall be closed on March 31st every year to prepare the trading account, profit and loss account, and to draw the balance sheet.

**Accounts and Records**

A true and proper account of the business affairs of the partnership firm shall be maintained in the ordinary course of the business and kept at the principal place of the business of the firm.

**Profit and Loss Distribution**

The profit or loss shall be distributed among the parties in the following proportion:

First party: ...%

Second party: ...%

Third party: ...%

Fourth party: ...%

**Insurance**

It has been specifically agreed that the entire trading stock of timber shall be insured against fire, theft, and loss by natural calamities like floods, earthquakes, and riots, and such insurance shall always be kept effective.

**Bank Accounts**

Accounts of the partnership firm shall be opened in ... bank and ... bank. Such accounts shall be operated by the signatures of any two of the parties hereto.

**Audit**

The accounts of the partnership firm shall be audited within two months of the preparation of annual accounts or by August 31st each year. Objections raised by the auditor shall be addressed in a meeting attended by all parties.

**Continuation of Partnership**

The partnership firm shall not dissolve upon the death or retirement of any party. Upon the death of a party, their nominated person or heir shall be taken as a partner in place of the deceased, and the firm shall continue on the same terms and conditions. Upon retirement of a party, the remaining parties shall continue the business subject to necessary adjustments in capital and profit-sharing ratio.

**Independent Practice (Optional Clause)**

The partners will be / will not be allowed to continue with their independent practice.

**Rights and Duties**

- (a) Every party has the right to take part in the conduct of the business of the firm.
- (b) Every party is bound to diligently attend to his duties in the conduct of the business of the firm.
- (c) Minor disputes or differences shall be decided by the majority view of the parties.
- (d) Every party has the right and access to inspect and copy any of the books of accounts of the firm.

- (e) The firm shall indemnify the parties hereto for payments made and liabilities incurred by them in the ordinary and proper conduct of the business and in the interest of the firm.
- (f) Each party shall indemnify the firm for any loss caused by his willful neglect in the conduct of the business.

**Dispute Resolution**

In case of any dispute or differences regarding the construction, meaning, and effect of this deed and the rights, relations, and obligations of the parties, the matter shall be referred to arbitration by ... S/o ... residing at ..., whose award shall be final and binding, subject to the provisions of the Arbitration and Conciliation Act, 1996.

**Applicable Law**

Any other matters not specifically mentioned in this deed, the provisions of the Indian Partnership Act, 1932 shall apply.

**IN WITNESS WHEREOF**, the parties hereto have hereunto set and subscribed their respective hands, the day and year first above written.

SIGNED AND DELIVERED BY: A B C

**WITNESSES:**

- 1
- 2

## **10. Deed Of Retirement**

**(To be executed on Rs. .... Non Judicial Stamp Paper)**

**THIS AGREEMENT** executed at ..... this [Date, Month, Year], between A, son of .....residing at ..... having PAN.....(hereinafter referred to as 'the Retiring Partner,' of the FIRST PART); B, son of ..... residing at ..... having PAN..... and C, son of ..... residing at ..... having PAN..... (hereinafter collectively referred to as the "Continuing Partners") of the SECOND PART; (which respective expressions shall, unless repugnant to the contrary to the subject or the context, mean and include their respective heirs, successors, executors, administrators, nominees, representatives, and assigns of the respective parties)

**WHEREAS**, the parties hereto have been conducting a business partnership M/s. .... at ..... as per Deed of Partnership dated ....., registered with ..... having unique registration, no.....since.....

**AND WHEREAS** the Retiring Partner has provided notice to the Continuing Partners of his intent to retire from the said partnership effective from the \_\_\_\_ day of \_\_\_\_.

**AND WHEREAS** accounts have been prepared of the assets, debts, liabilities, and profits earned until the said date, and a sum of Rs. \_\_\_\_ is found to be due and payable to the Retiring Partner in lieu of his/her share.

**AND WHEREAS** it is now proposed to execute this Deed of Retirement documenting the terms and conditions of such retirement.

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. The Retiring Partner hereby retires and shall be deemed to have retired from the said Partnership firm M/s. \_\_\_\_ from the \_\_\_\_ day of \_\_\_\_ . The Continuing Partners have given the consent for the same;
2. The Continuing Partners shall be entitled to continue carrying on the said business in partnership on such terms as may be agreed upon between them and the Retiring Partners have no objection for the same;
3. The Retiring Partner hereby releases, all his share, rights, title, and interest in the business of the said partnership, its assets including goodwill, all licenses and permits held by the said Firm, its outstanding dues and receivables, and outstanding contracts, which shall belong to the Continuing Partners alone and shall no longer have any rights therein;
4. The Continuing Partners agree to settle all the debts and liabilities of the said Firm and to indemnify and keep indemnified the Retiring Partner against all such debts and liabilities, and all loss, costs, charges, and expenses that the Retiring Partner may incur or suffer on account thereof;
5. The Retiring Partner confirms that as a result of the accounts being settled, a sum of Rs. \_\_\_\_ is due and payable to him in lieu of his share, right, title, and interest in the said partnership business, including its assets and goodwill, and he has no other claim against the Continuing Partners in respect of the said Firm;
6. The Continuing Partners covenant to pay the said sum of Rs. \_\_\_\_ to the Retiring Partner by monthly instalments of Rs. \_\_\_\_, the first of such instalments to be paid on the \_\_\_\_ day of \_\_\_\_, and each subsequent instalment on the \_\_\_\_ day of each succeeding month until the whole amount is paid in full. If there is any default in payment of any two instalments, then the whole of the said amount or any part thereof then remaining due shall become payable forthwith, and the Retiring Partner will also be entitled to charge interest at \_\_\_\_ percent per annum on delayed instalments, and until payment of the said amount in full, it will remain a charge on the assets of the said partnership.

7. The Retiring Partner agrees and undertakes that he will not use the name of the Firm and will not engage in the same or similar business as presently carried on by the Firm for a period of two years from now and within a radius of four kilometres from the place where the business of the Firm is conducted.
8. For convenience, the Retiring Partner appoints the Continuing Partners jointly and severally as his attorneys with authority or power to take legal action and to do all other acts and things necessary to recover the debts and liabilities due to the Firm in respect of the transactions or business done up to now.
9. The Retiring Partner agrees and undertakes to execute any document or papers as may be required to give complete effect to his retirement from the said partnership.
10. The retirement of the Retiring Partner shall be advertised in the Official Gazette and in the local newspapers as required by law, and the registration entry of the Firm in the records of the Registrar of Firms will be amended accordingly. The Retiring Partner agrees to sign any application or papers required for this purpose.
11. The income tax payable by the Firm will be paid by the Continuing Partners, and the Retiring Partner will pay the income tax on his income and other moneys received from the Firm.

IN WITNESS WHEREOF, the Partners have put their respective hands the day and year first above written.

Signed and delivered by the within-named Retiring Partner Mr. A, in the presence of \_\_\_\_

Signed and delivered by the within-named Continuing Partners B & C, in the presence of \_\_\_\_

## **11. Deed of Dissolution Of Partnership**

**(Involving immovable property)**

**THIS DEED OF DISSOLUTION** is made at ..... this day [Date, Month, Year], between Mr. A residing at ..... having PAN ..... hereinafter referred to as 'the Party of the First Part,' Mr. B residing at ..... having PAN ..... hereinafter referred to as 'the Party for the Second Part,' and Mr. C residing at ..... having PAN ..... hereinafter referred to as 'the Party of the Third Part.' (which respective expressions shall, unless repugnant to the contrary to the subject or the context, mean and include their respective heirs, successors, executors, administrators, nominees, representatives, and assigns of the respective parties)

**WHEREAS** the Parties hereto have been conducting business in partnership in the Firm named M/s. **XYZ & CO** as per the Deed of Partnership dated ....., registered with ..... having unique registration, no.....since.....

**AND WHEREAS** due to certain differences between the parties (or other reasons), the parties have agreed to dissolve the partnership effective from ..... as per the terms herein recorded.

**AND WHEREAS** the assets of the partners include: (i) the land and premises purchased by and belonging to the Party of the First Part, (ii) the lands and premises described in the Second and Third Schedules hereto, purchased or acquired by the Firm during its operations, (iii) the goodwill, stock-in-trade, furniture, other articles, bank balances, and outstanding.

**AND WHEREAS** accounts of the partnership business have been settled up to the dissolution date, with the total value of the assets ascertained to be Rs. .... including bank balances and outstanding debts, excluding the Firm's debts and liabilities.

**AND WHEREAS** each partner is entitled to an equal share in the assets and profits of the firm, as per the Deed of Partnership.

**AND WHEREAS** it is agreed that:

- the property described in the First Schedule will be returned to the Party of the First Part,
- the property described in the Second Schedule will be assigned to the Party of the Second Part,
- the property described in the Third Schedule will be retained by the Party of the Third Part.

**AND WHEREAS** for equalization of shares, the Party of the Third Part will pay Rs... to each of the Parties of the First and Second Parts.

**AND WHEREAS** the business of the firm will be continued by the Party of the Third Part alone in the same name, and he will be entitled to retain the property described in the Third Schedule, all stock-in-trade, furniture, articles, and moneys, subject to payment of the sums payable to the Parties of the First and Second Part, and subject to all Firm debts and liabilities.

**AND WHEREAS** the parties have agreed to record the terms of and effectuate the dissolution of the Firm as follows:

NOW THIS DEED WITNESSETH AS FOLLOWS:

1. **Effective Date of Dissolution:** It is mutually agreed and declared that the partnership heretofore existing under the name of M/s. ... is hereby dissolved with effect from the ... day of [Date, Month, Year].
2. **Settlement of Accounts :** The accounts of the business, assets, profits, and losses of the said partnership firm have been duly settled and signed by the Parties. The Parties

confirm the same, and no party is liable to the others in respect thereof, except as provided herein.

3. **Continuation by Third Part:** The business of the Firm shall henceforth be carried on solely by the Party of the Third Part. The Parties of the First and Second Part shall be considered retired from the partnership, with no further claims except as specified hereinafter.
4. **Property of the First Part:** The property described in the First Schedule shall no longer form part of the Firm's assets and shall remain the personal property of the Party of the First Part. The Parties of the Second and Third Part hereby release and renounce all their rights, titles, and interests therein as partners of the Firm, subject to the payment of taxes, rates, assessments, dues, and duties payable thereon to the relevant authorities.
5. **Property of the Second Part:** The property described in the Second Schedule shall also cease to be part of the Firm's assets and shall belong solely to the Party of the Second Part. The Parties of the First and Third Part hereby grant, transfer, and release all their respective shares, rights, titles, and interests therein as partners of the Firm, subject to the payment of taxes, rates, assessments, dues, and duties payable thereon to the relevant authorities.
6. **Release of Interests:** The property described in the Third Schedule shall be the exclusive property of the Party of the Third Part. The Parties of the First and Second Part hereby grant, transfer, and release all their respective shares, rights, and titles therein to the Party of the Third Part, subject to the payment of all taxes, rates, assessments, dues, and duties payable thereon to the relevant authorities.
7. **Property of the Third Part:** The Parties of the First and Second Part also release or renounce in favour of the Party of the Third Part all their share, right, title, and interest, as well as any claims and demands in or to the stock-in-trade, furniture, other articles, moneys, goodwill, debts, and outstandings belonging to the Firm.
8. **Dissolution of Partnership:** The Party of the Third Part agrees and covenants to pay to each of the Parties of the First and Second Parts a sum of Rs... by quarterly equal installments with interest thereon at ... % p.a. The first installment shall be paid on the ... day of ..., and subsequent instalments on the ... day of each subsequent quarter. In case of default in payment of any two instalments, the entire remaining sum or any part thereof shall become due and payable immediately. The payment of said amounts shall remain secured by the property described in the Third Schedule and allotted to the Party of the Third Part.
9. **Settlement of Accounts:** The Party of the Third Part covenants with the Parties of the First and Second Part that he will pay and be liable for all debts and liabilities of the

Firm as of the date of dissolution, including income tax, other taxes, and government dues. The Party of the Third Part shall indemnify and keep indemnified the Parties of the First and Second Parts against such liabilities, as well as against any loss, costs, charges, and expenses incurred by them on account of such debts and liabilities.

10. **Continuation by Third Party:** Each of the Parties hereto hereby releases the other Parties from all proceedings, accounts, claims, and demands in respect of the said partnership, without prejudice to any rights, claims, and remedies under this agreement.
11. **Appointment of Attorney:** The Parties of the First and Second Part hereby jointly and severally appoint, nominate, and constitute the Party of the Third Part as their attorney or agent, with authority to collect all assets and property of the partnership, demand, sue for, recover, receive, sign, and give discharge for all debts, estate, effects, or other moneys due or owing or belonging to the partnership, settle accounts, compound or release debts or claims, and institute legal actions or proceedings for compelling payment, discharge, or delivery of any moneys or other property belonging to the partnership.
12. **Non-Compete Clause:** The Parties of the First and Second Part shall not, for a period of one year from the date hereof, carry on, engage, or be concerned or interested either directly or indirectly in the same business carried on by the said partnership in the city of ...
13. **Permits and Licenses:** All permits and licenses held by the Firm shall belong exclusively to the Party of the Third Part. The Parties of the First and Second Part shall have no right or claim thereto.
14. **Signing of Documents:** Each of the Parties hereto agrees and undertakes to sign all applications, documents, and other papers as may be required to properly transfer the properties and other assets allotted, assigned, or released to the other Parties, including all licenses and permits in the Government or Municipal records or otherwise. The costs, charges, and expenses in respect thereof shall be borne by the party requiring such documents to be signed.
15. **Assurance of No Undisclosed Debts:** Each of the Parties hereto assures the others that, except as recorded in the books of account of the Firm and other records, none of them has received, collected, or discharged any claim, demand, or credit due or to become due to the Firm. Nor have they incurred any debt, liability, or obligation that may charge or affect the partnership or any of its property and assets.
16. **Notice of Dissolution:** The notice of the dissolution of the firm in the prescribed form shall be given by the Party of the Third Part within the prescribed time as required by the Partnership Act and Rules made thereunder. The Party of the Third Part shall publish the dissolution in the Government Gazette as early as possible.

17. **Expenses of Deed:** All expenses of and incidental to stamp and registration of this Deed shall be borne by the Parties hereto in equal shares.
18. **Custody of Original Deed:** The original of this Deed shall remain in the custody of the Party of the Third Part and shall be produced by him to the other Parties whenever required for inspection or production before any Court, Government Officer, Central or State, including the Offices of the Income Tax and Sales Tax Department. One duplicate signed copy of this Deed shall remain with each of the other two Parties hereto.
19. **Personal Tax Liability:** Notwithstanding anything hereinbefore contained, all liability for income tax on the personal income, including capital gains tax, of any Party hereto, including any interest thereon and penalties imposed in respect thereof incurred before or after dissolution, shall be that of the Party whose income it is. Such Party shall indemnify and keep indemnified the other Parties against such liability, as well as against any costs, charges, and expenses incurred on that account.
20. **Cessation of Business:** That the business hitherto run in the name and style of .... hitherto has come to an end.

**IN WITNESS WHEREOF**, the Parties have put their respective hands the day and year first above written.

***THE FIRST SCHEDULE ABOVE REFERRED TO***

***THE SECOND SCHEDULE ABOVE REFERRED TO***

***THE THIRD SCHEDULE ABOVE REFERRED TO***

Signed and delivered by the within-named Party of the First Part Mr. A in the presence of

Signed and delivered by the within-named Party of the Second Part Mr. B in the presence of

Signed and delivered by the within-named Party of the Third Part Mr. C in the presence of