



Does Your Business Have the Right Legal Entity?

A Simple Guide to Choosing the Right Structure and Staying
Compliant



WHAT IS A LEGAL ENTITY?

A legal entity is the official structure under which a business is registered, defining its ownership, liability, taxation, and legal responsibilities.

Sole Proprietorship

A business owned and controlled by one individual, with no separate legal identity from the owner.

01



Partnership

A business structure where two or more individuals jointly own and manage the business under a legal agreement.

02



Limited Liability Partnership (LLP)

A separate legal entity combining partnership flexibility with limited liability protection for partners.

03



Private Limited Company

A separate legal entity owned by shareholders and managed by directors, offering limited liability protection.

04





WHY ENTITY CHOICE MATTERS

Choosing the right business entity determines your legal protection, tax liability, and compliance responsibilities. It directly impacts your business growth, credibility, ability to raise funds, and long-term sustainability.





Corporate Services



Start—ups Formation

Need to set up a Private Limited Company, LLP, or Partnership Firm? We'll handle the details so you can start strong.



Registrations

From Digital Signatures to FSSAI and MSME, we take care of all your registration needs.



GST Compliances

We've got your GST covered—registration, filing, and audits are all managed smoothly.



Virtual Accounting

Need to set up a Private Limited Company, LLP, or Partnership Firm? We'll handle the details so you can start strong.



Legal Services

Whether you need Sale Deeds, Trust Registration, or Wills, we provide reliable legal support for your business.



ROC Compliances

Keep your company or LLP compliant with ease, We manage all your annual ROC filings.



Income Tax

Navigating income tax can be tricky. Let us handle your filings, TDS and audits with expertise.



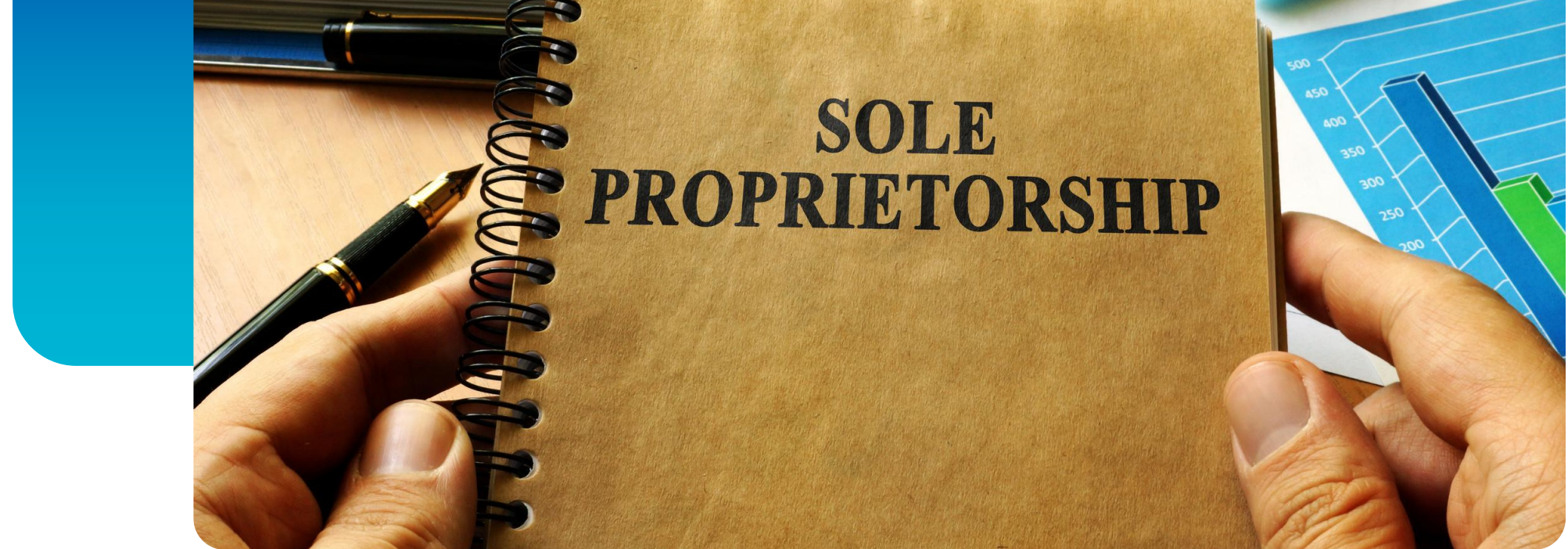
Intellectual Property Rights (IPR)

Protect your ideas and brand with our Trademark, Copyright, and Patent services.



FEMA Regulations

We'll make sure you're covered under FEMA regulations so your international transactions go smoothly.



SOLE PROPRIETORSHIP (THE SOLO PATH)

A business owned and controlled by one individual, with no separate legal identity from the owner.



Ideal For

Home-based businesses, freelancers, small shop owners, and entrepreneurs testing new business ideas.



Key Requirement

No formal registration is mandatory, but local licenses such as Shop Act and Udyam Registration may be required.



Advantages

- Full Control
- Easy Setup
- Privacy



Disadvantages

- Unlimited Liability
- Limited Growth



Case Study

Zahra's Home-Based Masala Business (Mumbai)

Tax Implication

Income is taxed under individual slab rates (0%–30%), making it highly tax-efficient for small businesses with lower annual profits (e.g., below ₹12 lakhs).

Key Steps:



Scenario

Zahra, a homemaker, started selling traditional Bohra masalas to neighbors and Jamaat members from her home.



Challenge

She wanted a simple and low-cost business structure with minimal legal and compliance requirements.



Solution (Business Structure)

She operated as a Sole Proprietor and obtained the required FSSAI license to ensure legal compliance.



Financial Approach

The business was self-funded, with profits reinvested into operations and no dependence on external loans.



Outcome

She retained full control and profits, benefited from lower tax liability, and efficiently managed orders through WhatsApp.





PARTNERSHIP FIRM (THE TEAM PATH)

A business structure where two or more individuals jointly own and manage the business under a legal agreement.



Ideal For

Businesses with two or more owners such as family businesses, professional services, trading firms, and small-to-medium enterprises.



Key Requirement

A Partnership Deed defining roles, profit sharing, and responsibilities; registration is optional but recommended for legal protection.



Advantages

- Shared Responsibility
- Easy to Start
- Combined Skills & Capital
- Flexible Operations



Disadvantages

- Unlimited Liability
- Risk of Disputes
- Limited Growth Potential
- Lack of Continuity



Case Study

Areeba & Mariyamrida Boutique (Pune)

Tax Implication

Partnership firms are taxed at a flat rate of 30% on profits, while the share of profit received by partners is tax-exempt in their personal income. Additionally, salary and remuneration paid to partners can be claimed as expenses, reducing the firm's taxable profit.

Key Steps:



Scenario

Two sisters started a boutique together, where one managed design and production, and the other handled sales and customer relationships.



Challenge

They needed a clear profit-sharing arrangement and defined responsibilities without the complexity of forming a company.



Solution (Business Structure)

They formed a Partnership Firm with a legally drafted Partnership Deed specifying equal profit sharing (50–50) and mutually agreed financial terms.



Outcome

The defined structure ensured clarity in roles, minimized conflicts, and enabled smooth business operations with shared responsibility and liability.





LLP

Limited Liability Partnership

A business structure where two or more individuals jointly own and manage the business under a legal agreement.



Ideal For

Professional services (CAs, consultants, architects), family-run businesses, and growing businesses needing liability protection with operational flexibility.



Key Requirement

Minimum two partners, LLP registration with MCA, LLP Agreement defining roles and profit sharing, and annual compliance filings.



Advantages

- Limited Liability
- Separate Legal Entity
- Perpetual Succession
- Lower Compliance than Pvt Ltd
- Better Credibility



Disadvantages

- Mandatory Compliance
- Penalty for Non-Compliance
- Limited Fundraising Options
- Public Disclosure



Case Study

Hakimi Modular Solutions LLP (Indore)

Tax Implication

LLPs are taxed at a flat rate of 30% on profits, and profit distribution to partners is tax-free in their personal hands, making withdrawals tax-efficient. Audit is required only if annual turnover exceeds ₹40 lakhs or capital contribution exceeds ₹25 lakhs.

Key Steps:



Scenario

Three brothers operated a furniture manufacturing workshop handling large and high-value client orders.



Challenge

They faced significant financial risk from potential client defaults and wanted to protect their personal assets, including their homes.



Solution (Business Structure)

They converted their business into an LLP, ensuring that each partner's liability was limited to their capital contribution.



Outcome

The business was funded through partner capital, with disciplined financial policies to avoid interest-based borrowing and overdrafts.





Private Limited Company (The Scalable Path)

A business structure where two or more individuals jointly own and manage the business under a legal agreement.



Ideal For

Startups, high-growth businesses, manufacturing units, exporters, and businesses planning to raise investment or scale nationally or internationally.



Key Requirement

Minimum two directors and one shareholder, registration with MCA, DIN and DSC for directors, ROC incorporation, and ongoing compliance such as annual filings and audits.



Advantages

- Limited Liability
- Separate Legal Entity
- Perpetual Succession
- Better Credibility



Disadvantages

- Mandatory Compliance
- Higher Setup and Maintenance Cost
- Reduced Operational Flexibility
- Public Disclosure



Case Study

Burhani Foods Pvt Ltd (Surat)

Tax Implication

Private Limited Companies are taxed at corporate tax rates (approximately 25%, or 15% for eligible new manufacturing companies). Dividend distributed to shareholders is taxable in their personal hands, while directors can draw salaries as a tax-efficient method of income withdrawal.

Key Steps:



Scenario

A family-run health food business aimed to expand its presence by supplying products to large supermarkets and retail chains.



Challenge

Distributors and retail chains preferred dealing with a registered corporate entity, and the family needed a structured succession plan for future generations.



Solution (Business Structure)

They incorporated a Private Limited Company with family members as shareholders and directors.



Outcome

The company gained credibility with large retailers, successfully entered organized retail chains, and established a clear and secure succession pathway for the next generation.





Common Legal Mistakes


Starting without proper registration, written agreements, licenses, financial separation, or the right business structure can lead to legal disputes, penalties, tax issues, and hinder business growth.





Partnership vs LLP

Compare partnership operations with LLP for better understanding

 Simple and Flexible Easy to start and operate with minimal legal formalities and flexible management between partners.		 Separate Legal Entity The LLP is legally independent from its partners and can own assets, enter contracts, and operate in its own name.
 Unlimited Liability Partners are personally responsible for all business debts, putting their personal assets at risk.		 Limited Liability Partners' personal assets are protected, and their liability is limited only to their capital contribution.
 Minimal Compliance Partnership firms have fewer legal filing requirements and are not required to file annual returns with MCA, but must comply with tax filings and applicable licenses.		 Moderate Compliance Requires basic annual filings and documentation with government authorities, but fewer formalities than a company.



Corporate Services Offered



Start—ups Formation

Need to set up a Private Limited Company, LLP, or Partnership Firm? We'll handle the details so you can start strong.



Registrations

From Digital Signatures to FSSAI and MSME, we take care of all your registration needs.



GST Compliances

We've got your GST covered—registration, filing, and audits are all managed smoothly.



Virtual Accounting

Our virtual accounting services offer accurate bookkeeping and personalized financial support to fit your business.



Legal Services

Whether you need Sale Deeds, Trust Registration, or Wills, we provide reliable legal support for your business.



ROC Compliances

Keep your company or LLP compliant with ease, We manage all your annual ROC filings.



Income Tax

Navigating income tax can be tricky. Let us handle your filings, TDS and audits with expertise.



FEMA Regulations

Protect your ideas and brand with our Trademark, Copyright, and Patent services.

Take the First Step Towards **Legal Compliance** with



Register with us to receive expert guidance on business registration, compliance, and legal protection tailored to your business needs.

Scan to

[**Register Now!**](#)



corporateservices.dbohra.co

m



corporateservices@dbohra.co

m

Partner with



as a **Service Provider**



Join our network of trusted professionals and grow your practice by serving verified business clients.

[Register as a **VENDOR!**](#)



[corporateservices.dbohra.co](https://corporateservices.dbohra.com)

m



[corporateservices@dbohra.co](mailto:corporateservices@dbohra.com)

m