Types of partners in partnership pdf

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Partners are of a different nature in a business partnership. They are as a partner, sleeping partner, nominal partner, partner by estoppel, limited partnership, secret partner, partner by holding out, sub-partner, partner in profits. They are briefly explained below. Types of partners in a partnership 1. Business partner A partner is a partner who contributes capital to the company and participates actively in its management. That's why he's called an active partner. 2. Sleeping Partner A Sleeping Partner is one that only contributes capital to the company but does not participate in its management. He is also called a dormant partner or finance partner. 3. Nominal partner A nominal partner does not contribute capital. He also does not participate actively in management. His contribution in a partnership is limited to allowing the other partners to make use of his name. 4. Partner of Estoppel Partner of Estoppel is not a partner in the company, but by his words and behavior, he leads outsiders to believe that he is also a partner in the company. Usually this occurs when the outgoing partner fails to notify his retirement. 5. Limited Partner Abroad as the United Kingdom, the law of the country allows the admission of partners with limited liability. But in India, no one can be a limited partner. There is only one exception. The liability of a minor for the services provided by the company is limited to the amount of his capital grant. 6. Secret Partner A Secret Partner is actually a partner in the company. But he does not keep himself to the public as a partner in the company, but keeps his existence secret. His responsibilities are also unlimited. 7. Partner by persevering Although a partner knows To keep out is not a partner, he knowingly allows himself to be a partner in the company by his activities. 8. Sub - Partner A sub-partner has no direct contact with the company. He's only next to a partner. 9. Partner in Profit A partner in Profit becomes a partner when the company earns profits. His responsibilities are also unlimited. This article was written by Sparsh Agrawal of Symbiosis Law School, Hyderabad. In this article, he discusses different types of partners and partnership in accordance with the Indian Partnership Act. In addition, the rights and duties of each of the partners are discussed in a partnership firm. Introduction Partnership is a form of business organization where two or more people join forces to do business. A partnership can be regarded as an improvement of sole proprietorship, where a single person carries out his or her business with his or her individual resources, skills and efforts. The main drawback of being the sole owner is that since there is only one person involved in the company, it is difficult for him to manage the huge resources and investments in the company. On the other hand, in a a number of people are involved and they can pool their resources to form and manage a much larger company. In addition, if there is a loss in the company, it can be distributed among the partners of the partnership. A partnership is an agreement between two or more persons who wish to share profits and losses for the partnership. However, in a partnership, all partners do not participate in all the company's activities in terms of profits and losses on an equal footing. There are different types of partnerships in accordance with the scope of their responsibilities and their participation in the company. The main purpose of this article is to discuss the different types of partners in a partnership. Definition of partners Under Section 4 of the Indian Partnership Act 1932, a partnership is defined as a relationship between two persons who mutually agreed to share profits and losses in the company. Therefore, people who have entered into an agreement with each other are individually known as partners. In addition, a partner under the Black Law dictionary is a member of a company or partnership; who have united with others to form a partnership in business. General types of partners The following list includes the types of partners we encounter regularly. The following list of partners is not exhaustive, as the Partnership Act 1932 does not limit any kind of partnership that the partners themselves wish to define. Active/managing partner An active partner participates primarily in the day-to-day running of the company and also participates actively in the business's conduct and management. He carries the day-to-day business activities on behalf of other partners. He can act in various capacities such as manager, adviser, organizer and head of affairs at the company. To be precise, he acts as an agent for all the other partners in order to run the main functions related to business. In addition, subject to the clause in the partnership's deed, the active partner may withdraw the remuneration from the company In terms of his role in the partnership, his role is of the utmost importance. Therefore, if he wishes to withdraw from the partnership company at all, he must make a public announcement of his decision. He gives a public notice to absolve himself of the responsibilities and actions of the other partner. If he does not issue a public notice of his retirement he would be held accountable for the actions of other partners after retirement too. Sleeping partner A sleeping partner is also known as a sleeping partner. This partner does not participate in the day-to-day activities of the partnership company. A person who has sufficient money or interest in the company but cannot spend his or her time on the business can act as a sleeping partner in the company. However, he is bound by all by the other partners. A sleeping partner like any other partner brings equity to the company. He also shares the company's profits and losses. If a sleeping partner makes a decision to withdraw from the partnership, it is not mandatory for him to make a public announcement of the same. Since a dormant partner does not participate in the day-to-day running of the company, he is not allowed to increase the remuneration from the company. If the Partnership Act provides remuneration to dormant partners at all, it is not deductible under the Income Tax Act 1961. Nominal partner A has no real or material interest in the partnership. In simple words, he is only lending his name to the company and does not have a voice in the management of the company. On the basis of his name, the company can promote its sales on the market or may get more credit from the market. For example: A partnership is performed between the partner and celebrity or a business tycoon for the sake of value beyond the company and also to promote branding using the person's fame and goodwill. This partner does not share profits and losses in the company because he does not contribute capital to the company. However, it is relevant to note that a nominal partner is responsible to outsiders and third parties for the actions of other partners. Partner of Estoppel A partner at estoppel is a partner who shows in his words, actions or behavior that he is a partner in the company. In simple words, although he is not a partner in the company, but he has represented himself in such a way that portrays that he has become a partner by persevering. It is relevant to note that although he contributes to the company's capital or management, but on the basis of his representation in the company, he is liable for the credits and loans obtained by the company. There are two essential conditions for establishing a 'persevere': first, the person being held out must have made a representation of words, actions or conduct that he is a partner in the company. Secondly, the other party must substantially prove that he was aware of such representation and acted on it. Partner in profits only This partner in a company will only share the profits of the company and will not be liable for any losses in the company. If a partner who is in only partner in profit, trades with one of the third parties or outsiders, then he is only responsible for the dividends and not any of the responsibility. He may not participate in the management of the company. Such kinds of partners are associated with the company for their goodwill and money. Minor Partner A minor is a person who has not yet reached the age of majority in the law of the country. Under Section 3 of the Indian Majority Act, 1875 a person for at have have majority age at the age of 18. However, a minor may also be appointed to claim the benefits of the partnership. It is relevant to note that Section 11 of the Indian Contract Act, 1872 prohibits a minor from entering into an agreement, since the agreement entered into by a minor is invalid ab initio. However, the Partnership Act 1932 allows a minor to enjoy the benefits of partnership when a set of rules and procedures is adhered to in accordance with the law. A minor will share the company's profits, but his liability for losses is limited only to his share of the company. A minor after reaching the age of majority (i.e. 18 years) must decide within 6 months whether he is willing to become a partner for the company. If a minor partner decides to continue as a partner at all or wishes to retire, he must in both cases make such a statement by public notice. Secret partner In a partnership, the position of secret partner lies between the active and sleeping partner. Membership of the company by a secret partner is kept secret from outsiders and third parties. His liability is unlimited as he owns a share in profits and shares liabilities for losses in the company. He can even participate in the work for the company. Outgoing partner A departing partner is a partner who voluntarily retires without dissolving the company. He leaves the existing business, therefore he is referred to as an outgoing or retired partner. Such a partner shall be liable for all its debts and liabilities incurred before his retirement. However, he may be held responsible for his future obligations if he fails at all to make a public announcement that he is retiring from the partnership. Limited partnership a limited partnership is a partner whose liability is only up to the extent of his contribution to the capital of the partnership. Subpartner A subpartner is a partner who connects someone else in his share of the company. He gives a portion of his share to the person. It is relevant to note that the relationship is not between the sub-partner and the partnership company, but between him and the partner. A sub-partner is therefore a non-entity of the company and he has no responsibility to the company. A subpartner usually agrees to share profits originating from the third party. Such a partner cannot represent itself as a partner in the original undertaking. In addition, he reserves no right in the original company, nor is he responsible for the actions of its partners. He can only claim his agreed share of the profits from the partner who has contracted him to be a sub-partner. Click over Types of Partners in the Partnership Act Types of Partners in the Partnership Act, 1932 can be studied under the following By Objective By Recruitment According to Character According to Legality On the basis of Registration According to the Aim Partnership at will Once a partnership is established, it is up to the partners to decide that until they want the partnership to exist. Therefore, when a partnership is formed without setting a specific deadline, it is called partnership after a definite. Such a partnership is based on the will of the partners and can be brought to an end when any of the partners earn a message showing the intention to do the same. This partnership is created to run a legitimate business indefinitely. Moreover, the dissolution of a partnership has not been decided in advance and is taken into account when the need arises. It is up to the partners to decide among themselves the necessary period for partnership. Special partnership The main objective of creating a particular partnership is to implement a particular project. Such a partnership is created between partners for a project with a temporary contract-based work or only a specific company, this is called a specific partnership. In particular, partnerships, once the objective of the enterprise partnership has been achieved, are dissolved with the same. In simple words, this partnership is formed to implement the special venture, and it ceases automatically after the completion of tasks involved in the venture. Nevertheless, the partners have a choice to continue the partnership by reaching an agreement. For example: Partnership made for the production of a film or a construction of a building. According to the Employment Partnership for a fixed period In such a type of partnership, the partnership for a specified period, i.e. 10 000 years, is the same period of time. The partnership shall automatically terminate after the end of that period. Flexible partnerships, which are neither time-limited nor for a particular project, are called flexible partnerships. According to Nature General Partnership In a general partnership, each partner reserves the right to make decisions about the company's work and management. It is relevant to note that the partner's responsibilities in such a partnership are unlimited. This means that if a financial error or loss occurs for a partner, all assets of the other partner will be taken into account by paying the liabilities incurred in the form of debts. In the absence of an agreement, the provisions of the Indian Partnership Act 1932 shall apply to general partnerships where the liability of each partner is limited. Limited Partnership Liability (LLP) Unlike the general limited partnership, limited partnership is a business form of business organisation. In such a partnership, commitments are limited to each partner in accordance with the contribution they have made in Furthermore, the partner's personal property or assets cannot be linked to repaying the company's liability. It is relevant to note that this organisation is not covered by the Partnership Act,1932, but is covered by the Limited Liability Partnership Act, 2008. In a limited partnership, one or all of the other partners have a limited liability in accordance with the amount of capital they have contributed. It is relevant to note that all partners in partnership cannot have limited liability. According to the Legality Legal Partnership When the partnership is formed in accordance with the provisions of the Indian Contract Act, 1872 and the Indian Partnership Act, 1932, it will be designated as a legal partnership. Illegal Partnership Partnership may become illegal when it violates the provisions of any law in the country or when the required number of partners exceeds the deadline or below the time limit. On the basis of registration Registration of an undertaking is not mandatory under the Partnership Act of 1932. Both registered company and unregistered company are valid in the eyes of the law. Unregistered partnership company An unregistered company is established when an agreement has been reached between the partners. The unregistered partnership company allows the partners to carry out business activities as set out in the agreement. Registered partnership firm In order to register a partnership company, it must be registered with the Register of Companies (RoF), which has the necessary competence in the place where the company carries out its business activities. The use of registration involves the payment of registration tax to RoF, which varies from state to state in accordance with state laws. In a partnership, registration of a business is preferred because of benefits it offers such as filing a lawsuit in court. Conclusion The Indian Partnership Act of 1932 talks about the general form of partnership, but the general form of partnership has somewhere lost its charm because of the inherent disadvantages it has. One of the main drawbacks is the unlimited liability of all the partners in the partnership business with regard to the legal consequences and debts of the company, without taking into account their respective holdings. In addition, the partners are held jointly and severally responsible for the actions committed by the other partners. Therefore, we can see a shift towards limited partnership, which gives partners more flexibility. Even the GOI has acknowledged the disadvantages of the general partnership and stated that there was a need to introduce LLP in India. The government even appointed a committee led by Mr. Naresh Chandra to come up with a proper framework for LLP in India. LawSikho has set up a telegram group for the exchange of legal knowledge, referrals and various options. Options. can click on this link and participate: participate: