

REGISTRATION PROCEDURE FOR PARTNERSHIP



PREPARED BY:
POLICY PLANNING & STRATEGY

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**Small and Medium Enterprise Development Authority
Government of Pakistan**

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INTRODUCTION OF SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy.

Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewellery, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support systems, exclusive business development facilities, training and development for SMEs and information dissemination through wide range of publications.

ROLE OF POLICY PLANNING AND STRATEGY GROUP

The Policy, Planning and Strategy Group (PPSG) of SMEDA plays a key role in providing an overall policy direction to SMEDA, under which SMEDA provides support to SMEs. The PPSG provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world.

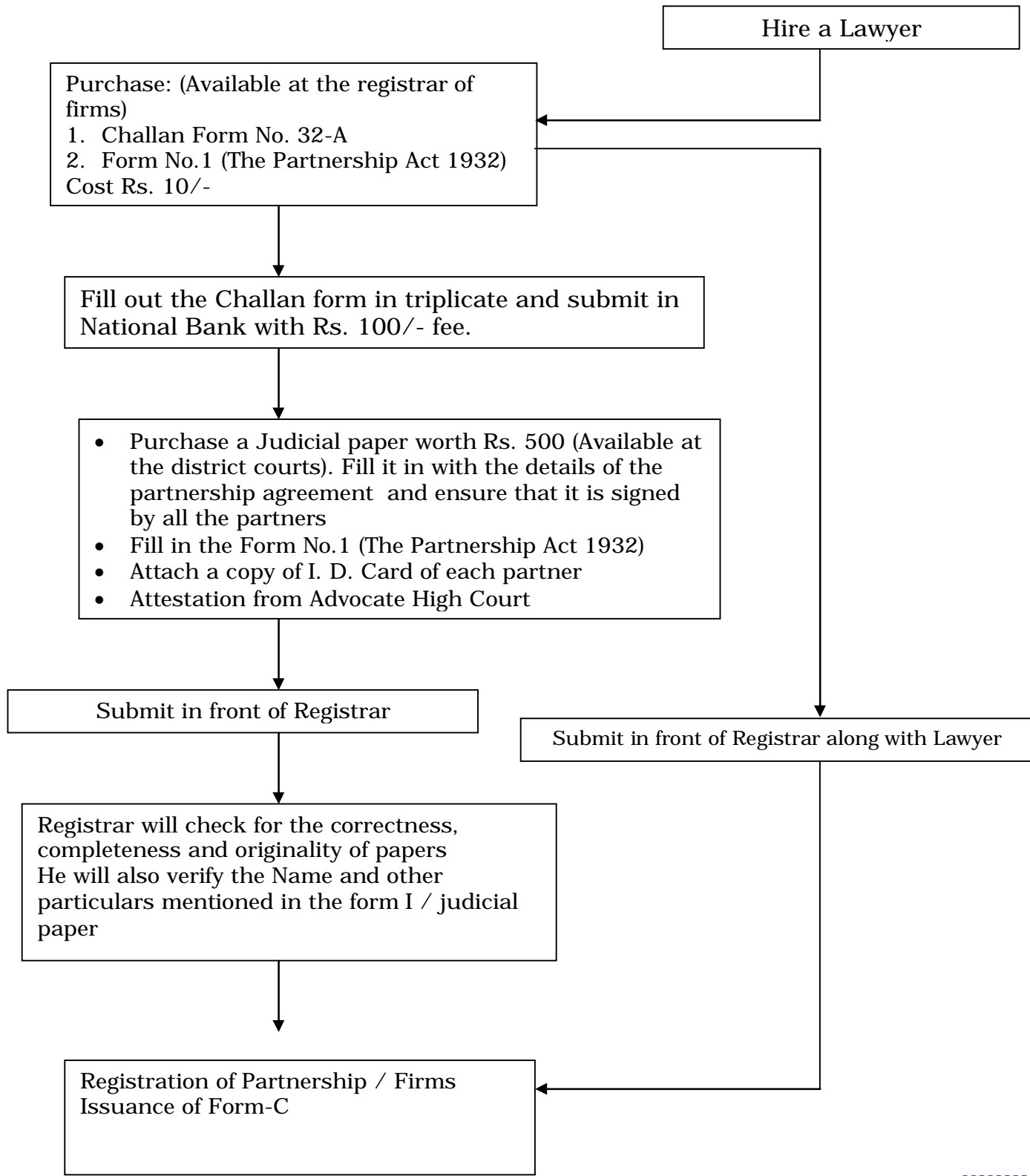
PPSG believes that information dissemination among the SMEs on the existing regulatory environment is of paramount importance and it can play a pivotal role in their sustainable development.

In order to facilitate SMEs at the Micro Level PPSG has developed user-friendly systems which provide them detail description of the Laws and Regulations including the process and steps required for compliance.

The purpose of this document is to provide SMEs with information pertaining to partnership registration procedure. The document can be used by partnership concerns interested in enhancing their understanding about the procedures and documentation required to comply with registration procedure. For convenience of the readers a process flow chart, sample of various forms and addresses of registration offices are also included.

FLOW CHART

Optional



REGISTRATION OF A PARTNERSHIP

The registration of partnerships is not compulsory by law. It is optional and there is no penalty for non-registration. However there are disadvantages for not registering. If any dispute arises among the partners or ex-partners they may not resolve the issue through the civil courts. An unregistered firm cannot institute a suit to settle these disagreements. Neither can an unregistered firm sue a third party for the enforcement of any rights arising from a contract, e.g. the recovery of the price of goods supplied. It must be noted however, that a third party may file suit against the partnership. Even in this case, the partnership can not mention any monies that may be outstanding to them in court. There is no protection to the partners' liability either. As there is no formal documentation stated that they are in partnership, if one decides to deny the existence of the partnership, there is not much that can be done about it legally. Registering during any suit can not subsequently cure this effect. Prior registration is necessary.

PARTNERSHIP DEED

The mutual rights and obligations of all partners must be documented in the shape of a "partnership deed". This needs to be signed by all the partners and subsequent copies held by each partner. At the time of registration, a copy of the deed has to be submitted with an application to the Registrar of Firms in the concerned area. This document may also be referred to as an "Article of partnership". A partnership deed usually contains the following format:

- a) The name of the firm
- b) The nature of business that is to be carried out by the firm
- c) The address at which the firm intends to conduct its business
- d) The amount of capital that each partner contributes. The form of capital whether that be cash or property needs to be documented. If the capital is property, a full description of the property and the valued amount should be given also.
- e) The names and addresses of each partner should be given
- f) The duration of the partnership if any
- g) The ratio of sharing profits and losses
- h) The amount or percentage of interest, if any, which is to be allowed on capital
- i) The amount of salary each partner is to receive
- j) The manner in which a partnership is to be dissolved, and the subsequent distribution of property among the partners.
- k) In the case of insolvency the valuation and treatment of goodwill
- l) Provisions regarding the accounting system and the fiscal year to be used
- m) Rules to be followed in the case of retirement, death and admission of a partner

- n) The method of settling disputes if any among partners. I.e. whether or not an arbitrator is to be appointed
- o) Method of calculating amount issued to a deceased partner, and whether this is to be paid in full or in installments to his legal representative.
- p) In the case of breach of duty by one partner, powers of other partners to expel him from the firm
- q) The keeping of proper books of accounts and periodical preparation of accounts.
- r) Any provisions to prevent any future misunderstanding and ill will.

Notes: A Partnership deed can be obtained in the form of Judicial papers that cover all the points mentioned above. This in turn can be signed and submitted to the registrar as mentioned.

APPLICATION

The procedure of registration is comparatively simple. An application in the following form (or Form No. 1 Partnership Act 1932) along with the fee has to be submitted to the Registrar of Firms (see flow chart). All the partners must sign the application. The application or statement must contain the following particulars:

- 1) The name of the firm
- 2) The place or principal place of business of the firm
- 3) The names and addresses of other places where the firm may conduct business
- 4) The partner's date of joining the firm
- 5) The duration of the firm
- 6) The name and address of the partners.

Once the registrar is satisfied with the application, a certificate of registration is issued to the partners. As mentioned previously this is not required to commence business.

If at any time there are changes to the firm in relations to the partners, place of business, insolvency etc. the registrar must be notified.

ADVANTAGES OF REGISTRATION

- 1) The registered firm can file suit against the third party for the enforcement of rights arising from a contract
- 2) The registered firm attracts large capital resources from the public.
- 3) Where there is dispute among the partners or between the partner and the firm or between partners and ex-partners, the partners of a registered firm can file suit in the court of law.

- 4) The registered firm can claim any outstanding balances from a third party through a court of law.
- 5) In case of registered firm, any new partners have the security of liability and may resort to the court of law in case of a dispute.
- 6) In the case of partners leaving the firm, they can not be made liable for any debts incurred after leaving. This is only seen in the case of a registered firm.

DIFFERENT TYPES OF PARTNERSHIPS

- 1) Ordinary Partnerships
- 2) Limited Partnerships
- 3) Partnership at-will

- 1) Ordinary Partnership: - All information so far discussed is with regards to an ordinary partnership. Any variations would then lead to the below alternatives.
- 2) Limited Partnership: - In this kind of partnership one or more partners have limited liability and at least one of the partners has unlimited liability. The liability of the limited partner is limited to the extent of his investment in the business.
 - a) It is formed under Limited Partnership Act 1907 (of England)
 - b) One or more partners have limited liability
 - c) There is at least one partner with unlimited liability
 - d) The firm must be registered. Once this is done the rights and duties of the partners are also recognized.
 - e) A limited partner has no right to take an active role in the management of the partnership.
 - f) The capital invested by the limited partner will not be returned to him as long as he remains a limited partner on the firm.
 - g) The limited partner can inspect the accounts of the firm at any time.
 - h) A new partner can be introduced into the firm at any time without the consent of the limited partners.
 - i) The partnership should not consist of more than 20 partners (whether limited or not) except in the case of banking where they should not exceed 10.
 - j) The registrar of Joint Stock Companies shall be the registrar of Limited Partnerships.
- 3) Partnership at-will: - The essence of a “partnership at-will” is that the partners do not limit the duration of their partnership, and are free to break their relationship at any time they see fit. It is a partnership for indefinite period. The partnership may be dissolved at any point as long as the partner

gives notice to all the other partners. An ordinary partnership becomes a partnership at-will under the following circumstances:

- a) If the partnership is of a indefinite period
- b) If a partnership is formed for a limited period of time, and the firm continues to function after the expiry of this period.
- c) If a partnership is formed to conduct a particular venture, and then continues to function after the venture is complete.

ANNEXURE A

SAMPLE FORMS

(See S.R. and 2.20)

FORM NO. 32-A.

CENTRAL
PROVINCIAL

CHALLAN No.

Challan of cash paid into the

Treasury/Sub-Treasury
National Bank of Pakistan
State Bank of Pakistan

By whom Tended	To Be Filled In the Remitted		Amount	To Be Filled in by the Department Officer or the Treasury	
	Name or designation and address of the person on whose behalf money is paid	Full particulars of the remittances and the authority (if any)		Head of Account	Order to the Bank
				1264605-INDUSTRIES-OTHERS FEE UNDER PARTNERSHIP ACT. 1932	Date Correct, Received and grant Receipt Signature and full designation of the officer ordering the money to be paid in.

Signature
(in words) Rupees
Received payment

To be used only in the case of remittances to Bank through and officer of the Government.

Date

Treasurer

Accountant

*Treasury Officer
Agent*

The Lion Press (pvt) Ltd.,
Anarkali Lahore. Ph : 7353087

FORM NO. 1

THE PARTNERSHIP ACT, 1932

(Adapted by Pakistan Government)

Filing Fee: _____

Application for registration of firm by the name _____

Presented to the Registrar of firms for filing by _____

We, the undersigned being the partners of the firm _____

hereby apply for registration of the said firm and, for that purpose supply the following particulars pursuant to Section 58 of the Partnership Act, 1932, as adopted by the Pakistan Government.

* The firm's name :-

Place of business: { (a) Principal place
(b) Other places

Name of the partners in full	Date of joining the firm	Permanent address in full

Duration of the firm
(How and when terminable)

Station :-

Date :-

Signature of the partners or their specially authorised agents

* Here enter the name of the firm. If any partner is minor the fact whether he is entitled to the benefit of the partnership should be set out herein.

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

I, _____ son of _____ years of age, of _____ religion do hereby declare that the above statement is true and correct to the best of my knowledge and belief.

Date

Signature

Witness :-

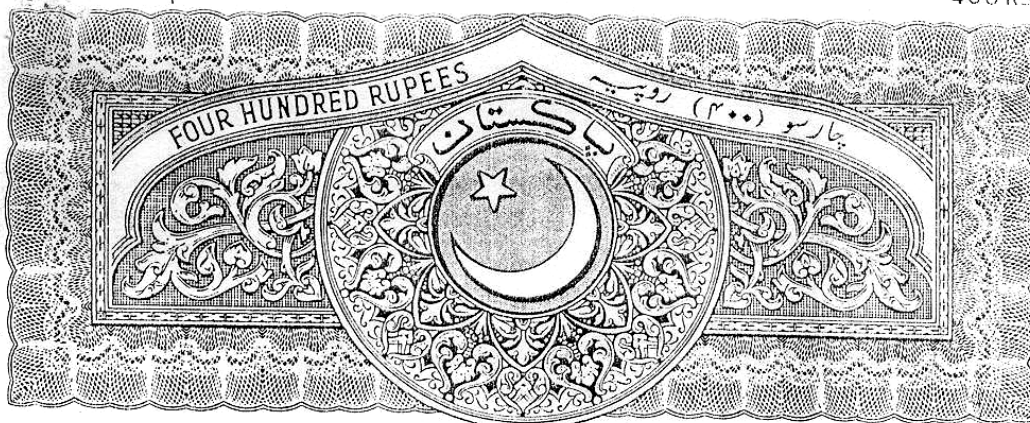
N.B. :- This form must be signed by all partners or their specially authorized agents in this behalf in the presence of a witness or witnesses who must be either a Gazetted Officer, Advocate, Attorney, Pleader or Honorary Magistrate.

The Lion Press (Pvt) Ltd, Hospital Rd., Lhr. Ph : 7333087



PAKISTAN 010

400 RS.



PARTNERSHIP DEED

This deed of Partnership is made at Lahore on this day of 18th October 2000, by and between:-

1. Akhtar Masood Qureshi son of Mohammad Karm Qureshi, resident of House No.C/997, Pani Wala Talab Rang Mahal Lahore.
2. Tanveer Zaidi son of Murtaza Ali Zaidi, resident of House No.10, Street No.56, Sanat Nagar Lahore.

(hereinafter called parties of the 1st and 2nd part respectively).

WHEREAS THE parties above named are agreed to become partners with effect from 18th October 2000 and form a partnership firm under the name and style of "LAA-JAWAB TEA" with its Head Office at C/997, Pani Wala Talab Rang Mahal Lahore. The following terms and conditions have been settled mutually.

1. That the business of the firm shall be the sale of Tea and General Orders Suppliers.
2. That the capital of the firm shall be as per books of accounts to be maintained by the firm. The profit and loss of the business shall be shared/distributed according to the following ratio of share :-

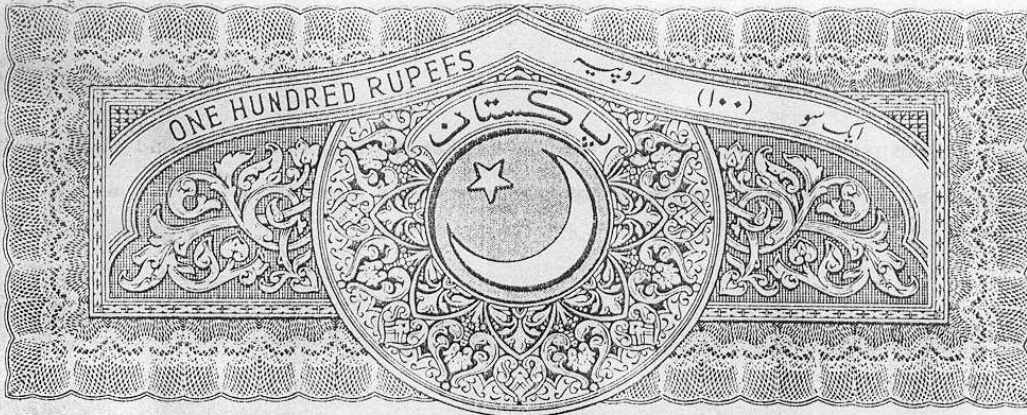
partner No.1	60 %
Partner No.2	40 %

the capital can be increased or decreased according to the requirement of the business.

3. That the partner No.1 Mr. Akhtar Masood Qureshi shall be the Managing Partner of the firm who will manage all the affairs of the business and keep the office record and accounts books in his custody. He will devote the whole

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100RS.



-2-

of his time to promote the business. He will represent the firm before the officers of all the concerned departments and bank as well.

4. That the duration of the firm shall be At Will.

5. That the books of accounts shall be maintained regularly, which shall be open to inspection by other partner.

6. That the bank account will be opened in the name of firm, which shall be operated by the Managing Partner .

7. That the financial year of the partnership business shall end on 30th June every year.

8. That each partner shall bear individual income tax liability.

9. That in the event of death of any partner, his legal heirs shall succeed his interest in accordance with law.

10. That in case of any dispute, touching the affairs of partnership, the matter will be referred to Arbitration to resolve the dispute. The provision of partnership Act 1932 shall apply to all matters not specifically mentioned in the partnership deed.

11. That the partners shall be honest and faithful to each other and shall abide by all the terms and conditions and rules in force.

(both)

IN WITNESSES WHEREOF all the partners have signed this deed of partnership on the date mentioned above.

EXECUTANTS

PARTNER NO.1 _____

PARTNER NO. _____

ANNEXURE B

Addresses of Firm Registration Offices in Pakistan

Punjab

Lahore

Mr. Khalid S. A. Khan
Deputy Director
Directorate of Industries
Pouch House
Near Choburji, Lahore
Phone: (92-42) 756 2751

Baluchistan

Quetta

Mr. Zafar ur Rehman (Acting Charge)
Director
First Floor
Directorate of Industries & Commerce
Sirki Road, Quetta
Phone: (92-81) 921 1183, 921 1160, 921 1187