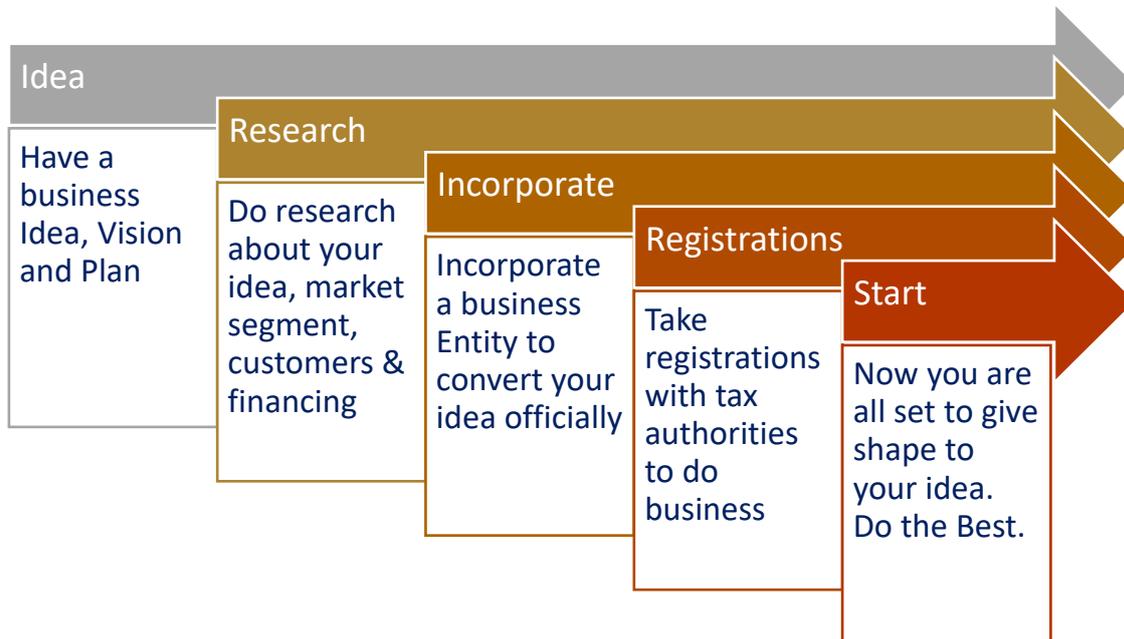


HOW TO START A BUSINESS IN INDIA

The basic flow of starting a new business:



Base Working

Prior to starting a business, the Entrepreneur must have a vision for the proposed business. A vision could be as simple as a plan of action to starting a business in the mind of the Entrepreneur or could even be a detailed business plan with market analysis, projected financial statement, etc., Detailed business plans will help the Entrepreneur avoid mistakes and increase the chances of succeeding in the business.

Evaluate your idea

Once you have zeroed in on an idea, start analysing whether your business answers some basic questions like:

- What problem is your product or service going to address?
- Who will be the target audience?
- Will it be a side project or a full-fledged business?
- Who will be the competitors?
- What will be the means of running the business whether stores, online
- Is there an international scope for it?

Identify your business structure

Next step will be to assess the type of entity that best suits. In India, a startup can be registered as a Private Limited Company, Limited Liability Partnership, Partnership Firm, Sole Proprietorship and One Person Company.

1. Sole Proprietorship

Sole Proprietorship Firm is one Person Firm which is owned and controlled by single person. Incorporation of Sole Proprietorship Firm involved opening of Current Bank Account and firm registration under various applicable laws including under Goods and Services Tax. It is quite simply form of business entity which is enable doing business in India with Less Compliance and Less Costing. The taxation of Firm is depending upon the person owing it.

Key Points:

- 100% ownership
- Fastest and easiest to established
- Unlimited liability
- Lack legal form of establishment
- Unsuitable for transfer of ownership
- Low cost of incorporation

2. Partnership Firms

When a group of individuals known as partner, decide to set up the business and form a relationship to share the profits of the business carried on, they form a partnership amongst them which is governed and regulated by partnership agreement formed between them. The partnership is the most popular form of organization to carry business in India. Income of Partnership firm is taxable at maximum marginal rate i.e. 30% *plus* applicable cess and surcharge.

Key Points:

- Formed with 2 or more partner
- Ownership is divided amongst partner
- Fastest and easiest to established
- Unlimited liability (unless registered)
- Lack separate legal entity
- Unsuitable for transfer of ownership
- Low cost of incorporation
- Higher tax rate

3. Limited Liability Partnership

A limited liability partnership is a partnership in which some or all partners have limited liabilities. It therefore can exhibit elements of partnerships and corporations. In an LLP, each partner is not responsible or liable for another partner's misconduct or negligence. Ministry of Corporate Affairs is the governing body in India which regulates all LLP's. LLP's are mainly governed by agreement executed amongst the partner and provision of LLP Act and rules made thereunder.

Income of LLP is taxable at maximum marginal rate i.e. 30% *plus* applicable cess and surcharge. However, the compliance of LLP is higher as compare to normal Partnership Firm and lower comparing to private or public limited companies.

Key Points:

- Formed with 2 or more partner
- Ownership is divided amongst partner
- Limited liability of partners
- Separate legal entity
- Unsuitable for transferability of ownership share
- Higher tax rate

4. Private or Public Limited Company

In a limited company, the liability of members or subscribers of the company is limited to what they have invested or guaranteed to the company. Limited companies may be limited by shares or by guarantee. The former may be further divided in public companies and private companies. Who may become a member of a private limited company is restricted by law and by the company's rules. In contrast, anyone may buy shares in a public limited company.

Incorporation of company is complicated involving various paper work and it also involved stringent periodic compliances. Ministry of Corporate Affairs is the governing body in India which regulates all Limited Companies in India following the Provisions of Companies Act. A Private Limited Company cannot invite general public to subscribe its securities whereas Public Limited Companies can offer its securities to public. A Private or Public Limited Company is identified by the company name, number of members, formation, directors, meetings, shares, etc.

Key Points:

- Formed with 2 or more director and shareholder
- Ownership is controlled through shareholding
- Limited liability of shareholder
- Separate legal entity
- Suitable for transferability of ownership in shares
- Lower tax rates

5. One Person Company:

An OPC has only one director who is the sole shareholder. An OPC structure has high compliance requirements and cost and limited tax advantages.

When you have decided on the structure you will need to register the business. The registration process may differ based on the type of entity.

Take Registrations

All mandatory government registrations and licenses required to run a registered entity differ based on the place of business, sector or industry, entity type, number of employees, etc. However, all incorporated business must apply for and obtain PAN and TAN. The former is mandatory for opening of bank accounts and filing income tax returns and TDS returns, while the latter is required by all companies engaged in deducting or collecting tax.

- **GST Registration:** GST is mandatory for all companies whose turnover is more than 40 lakhs and Rs 20 lakhs for States under the “Special Category”. In addition, GST registration is mandatory for businesses involved in the intrastate supply of goods irrespective of turnover.
- **Employees’ Provident Fund:** If the business employs 10 or more persons and is engaged in any of the industries notified by the government, the business is required to be registered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952.
- **ESI Registration:** ESI Registration will be mandatory when the number of employees in the business crosses 20. Proof of ESI Registration is often requested by businesses that outsource manpower requirements.
- **Shop & Establishment Act:** This is a license requisite for shops, eateries, restaurants, places of interest, theatres, etc. The Act regulates the working conditions of employees with respect to the number of working hours, holidays, payment of wages, health and safety measures, etc.
- **Import Export Code:** Often called IEC, this is a 10-digit code which is required by importers and exporters to clear customs and shipment and to transfer money to foreign banks. IEC can be secured with a minimum number of documents easily.

The above-mentioned registrations and licenses are just examples.

Maintaining accounts and compliance

One of the most crucial things in a startup is to get an Accounting and compliance system in place. Maintaining your books and financial records help you study the cash flow, display the financial health to stakeholders, plan budgets, take key decisions, report profits and more.

Form the team

If you are looking to hire employees, now it is the right time. Make sure to specify the designation, roles and responsibilities for each position clear enough after a thorough analysis.

Protect the brand

Brand is one of the key assets of an enterprise, whether it is small, mid-sized or large. Your brand is how a customer perceives your business and identifies in the market. Protecting intellectual property which includes trademark, copyright, patent, industrial designs, software, inventions, etc, is important.

About Us: LABHYANSH is a professionally managed Accounting, Taxation and Compliance Outsourcing services provider having presence in India. Provides services that are Timely, Accurate and Cost Effective using well defined processes. Our team seek to serve every client in the most efficient manner. We incorporate a passion for client satisfaction and support in their success. Our services enable client’s business to enhance operational and financial agility by streamlining and optimizing key processes.

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