

CHOOSING THE RIGHT BUSINESS ENTITY: A COMPARATIVE GUIDE

POINTS OF COMPARISON	Sole Proprietorship	Partnership Firm	LLP (Limited Liability Partnership)	Private Limited Company	Public Limited Company
1. Ownership	Sole owner	2 to 50 partners	Minimum 2 partners (no max limit)	2 to 200 shareholders	Minimum 7 shareholders; no upper limit
2. Legal Status	Not a separate legal entity	Not a separate legal entity	Separate legal entity		
3. Liability	Unlimited personal liability	Unlimited personal liability	Limited to contribution	Limited to shares held	
4. Formation Requirements	Simple registration	Requires partnership deed	Registration under MCA & LLP act, 2008	Registration under MCA & Companies Act	
5. Perpetual Existence	No – ends with death of proprietor or at will	No – may dissolve on partner's exit or at will	Yes	Yes	Yes
6. Management & Control	Full control with owner	Managed jointly by partners	Managed by designated partners	Managed by Board of Directors	Managed by Board of Directors
7. Transfer of Ownership	Not easily transferable	Difficult without consent	Possible with agreement	Restricted (as per AOA) or Board's discretion	Freely transferable
8. Fundraising Ability	Very limited	Limited to partners' contributions	Limited – no public investment	Can raise private equity, venture capital	Can raise from public via IPO
9. Taxation	Taxed as individual	Flat 30% partnership tax	Flat 30% corporate tax	Corporate tax rate (around 25%)	
10. Compliance Burden	Very low	Low to medium	Medium – annual ROC filings, audit if needed	High – annual compliance & audit	Very high – SEBI, MCA, stock exchange norms, if applicable
11. Audit Requirement	Not required (if under threshold)	Required if turnover > ₹1 crore	Required if turnover > ₹40 lakh or contribution > ₹25 lakh	Mandatory statutory regardless of turnover	Mandatory statutory regardless of turnover
12. Confidentiality of Accounts	High	Moderate		Moderate (not public)	Low – must publish audited accounts
13. Suitability	Small-scale, individual businesses	Small to medium businesses	Professionals, startups, SMEs	Startups, SMEs, funded companies	Large corporations, listed companies