

Specimen of Deed of Partnership

THIS DEED OF PARTNERSHIP made at _____ on this _____ day of _____ Two Thousand and _____ Between (1) A Indian Inhabitant, residing at _____ of the first part (2) B Indian Inhabitant, residing at _____ of the second part and (3) C Indian Inhabitant, residing at _____ of the Third part

WHEREAS : (1) With effect from _____ (1) A, (2) B, (3) X and (4) Y were carrying on business in partnership in the firm name and style of Messrs. _____ on terms and conditions recorded in a Deed of Partnership dated _____.

(2) Under a Deed of Retirement dated _____ executed by X and Y as the Retiring Partners of the One Part and A and B as the Continuing Partners of the Other Part, the said X and Y retired from the said firm with effect from _____ and assigned, released and transferred all their shares, right, title and interest in the said firm unto the said A and B as continuing partners of the said firm.

(3) A and B have agreed to admit C as partner with A and B in the said firm with effect from _____.

(4) The parties hereto are desirous of recording the terms and conditions on which they have agreed to carry on business in partnership with effect from _____ in the manner hereinafter appearing.

NOW THIS DEED WITNESSETH AND IT IS HEREBY MUTUALLY AGREED BY AND BETWEEN THE PARTIES HERETO that they have become partners upon the terms and conditions recorded herein, namely :

1. The partnership business shall be that of _____ and such other business or business as the partners may from time to time unanimously agree upon.

2. The partnership as constituted under this Deed shall commence (or shall be deemed to have commenced) on the _____ day of _____ 200____.

3. The firm name of the partnership shall be _____ and the business of the firm shall be carried on in the name and style of _____ and/or such other name/s as the partners may from time to time agree upon.

4. The duration of the partnership shall be _____ years from _____ and thereafter until determined by any partner giving to the other partners three calendar months previous notice in writing of his intention to do so.

5. The death or retirement or expulsion or insolvency of any partner shall not dissolve the partnership as to the other partners.

6. The partnership business shall be carried on from the premises at _____ belonging to the first partner namely _____ (or of which the first partner is the tenant) and/or such other premises as the partners may from time to time agree upon.

7. During the subsistence of this partnership, A will allow the said premises namely _____ to be used for the purposes of carrying on the businesses of the partnership without charging any rent or compensation therefor and the rents and outgoings in respect of the said premises shall be borne and paid by A and not by the firm. On the determination of the partnership howsoever caused or on A ceasing to be a partner for any reason, the firm and the other partners shall not be entitled to claim any interest of any nature whatsoever in the said premises. On the determination of the partnership howsoever caused, A alone shall be entitled

to the goodwill and trade name and tenancy rights and the other partners shall not have and shall not claim any share, right, title or interest therein.

8. The capital of the partnership shall be Rs. _____. The parties hereto shall contribute from time to time in equal /____ shares such amounts by way of capital as may be deemed necessary or expedient for efficiently carrying on business of the partnership. Each of the partners shall be entitled to simple interest at the rate of 12% per annum on the amount of capital standing to his credit in the accounts of the firm from time to time.

9. If any partner shall advance any sum of money to the partnership firm over and above his due contribution to capital, the same shall be a debt due from the firm to the partner advancing the same and shall carry simple interest at the rate of 12% per annum. Every such sum together with the interest for the time being due in respect thereof shall be repaid by the firm and received by the partner by whom the same shall have been advanced at the expiration of _____ months from the time when by notice in writing the firm shall have signified to such partner its intention of making or such partner shall have signified to the firm his intention of demanding such repayment.

10. _____, a minor born on _____ and _____ a minor born on _____ are admitted to the benefits of the partnership constituted hereunder. The net profits of the partnership arrived at after providing for payment of remuneration to the working partners namely, _____ and _____ and interest to partners as provided herein, shall be divided in the following shares and proportions :

To the said _____	“ _____ %”
To the said _____	“ _____ %”
To the said _____	“ _____ %”
To the said _____ minor	“ _____ %”
To the said _____ minor	“ _____ %”

	100 %

11. The losses of the partnership including loss of capital, if any, shall be borne and paid by the partners in the following shares and proportions :

By the said _____ “ _____ %”
 By the said _____ “ _____ %”
 By the said _____ “ _____ %”

 100 %

12. It is hereby agreed between the parties hereto the said minors _____ shall be entitled to the benefits of the partnership only and shall not be personally liable for any obligations of the said firm, but their shares in the firm only shall be liable for any obligations of the said firm and that until the said minors attain the age of majority, their shares in the profits of the partnership shall be accumulated to the credit of the minors so as to be available to meet their shares of loss, if any, incurred by the firm at any time during their minority Provided further that the partners may at their discretion pay out of the profits coming to the share of the said minors such sums to their father and natural guardian _____ as the partners may decide.

13. _____ and _____ shall be working partners in the firm and they shall actively engage themselves in conducting the business and affairs of the firm and they shall be entitled to remuneration computed as follows :-

	<u>To A</u>	<u>To B</u>
In case of loss or in case of book profit of less Rs.75,000/-	Rs.25,000/- p.a.	Rs.25,000/- p.a.
On the next Rs.75,000/- of the book profit.	30%	30%
On the balance of the book profits.	20%	20%

For this purpose, ‘book profits’ shall mean net profit (before partners’ remuneration and provision for taxation) as shown in the Profit & Loss Account of the partnership.

Such remuneration shall be credited to the current account of such partner on the last working day of every accounting year.

It is agreed that the total remuneration payable to any partner shall in no case exceed the sum of Rs._____/ - per annum per partner and accordingly the total remuneration shall be restricted to Rs._____/ - per annum.

OR

13. During the subsistence of the partnership, both /all the partners shall devote their time and attention for conducting the business of the partnership and shall be paid remuneration as permissible out of 'book profits' as defined in Section 40(b) of the Income-tax Act, 1961 or any statutory modification or re-enactment thereof for the time being in force as under :-

- (a) The said _____ shall be entitled to minimum of Rs. _____ /- (Rupees _____ only) per month by way of his remuneration for services rendered to the firm.
- (b) The said _____ shall be entitled to minimum of Rs. _____ /- (Rupees _____ only) per month by way of his remuneration for services rendered to the firm.
- (c) In addition, each of the parties hereto shall be entitled to and credited with additional remuneration every year having regard to the profits and financial position of the firm and the time devoted by each of them to the work of the firm, which may be mutually agreed by the partners by a Resolution in writing to that effect before the end of every accounting year. Such remuneration shall be credited to the current account of the respective partners on the last working day of every accounting year.
- (d) It is agreed that the total remuneration payable to the partners under clauses (a), (b) and (c) above shall in no case exceed the limits prescribed under Section 40(b) of

the Income Tax Act, 1961 or any statutory modification or re-enactment thereof in force.

For the purpose of calculating the remuneration payable to the partners of the firm, the 'book profits' shall mean 'net profit' as shown in the Profit and Loss account of the firm for the relevant accounting period computed in the manner laid down in Chapter IV-D of the Income-tax Act, 1961 or any statutory modification or re-enactment thereof in force as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if such amount has been deducted while computing the net profit. The amount of remuneration payable to each partner of the firm in excess of the minimum remuneration as provided hereinabove shall be credited to the current account of the respective partner in the firm on the last working day of the relevant accounting period.

14. Each partner (or _____ and _____) may during the continuation of the partnership draw out of the partnership account the monthly sum of Rs. _____/- on account of his share of profits, but if on making up annual accounts at the end of each year, it shall appear that any partner has drawn any sum in excess of his share of profits, he shall forthwith repay such excess to the partnership account.

15. The bankers of the partnership shall be _____ Bank, _____ branch and / or such other bank or banks as the partners may from time to time unanimously agree upon.

16. All partnership monies not required for current expenses and securities for money shall as and when received be paid and deposited into the bank account to the credit of the partnership account.

17. All cheques on such bank account shall be drawn and such bank account shall be operated in the firm name by and under the joint signatures of any two from amongst (1) _____ (2) _____ (3) _____.

18. Usual books of accounts shall be kept properly posted upto date and shall not be removed from the place of business of the partnership at _____, without the written consent of all the partners. All the partners shall have free access to the books of accounts of the partnership at all times and shall be at liberty to make such copies or extracts therefrom as they may think fit.

19. The accounting year of the partnership shall end on 31st March of each year. On the 31st day of March _____ and on the 31st day of March in every succeeding year during the subsistence of the partnership, an account shall be taken of all the capital, assets, debts and liabilities for the time being of the partnership and a Balance Sheet and a Profit and Loss Account shall be prepared and signed by all the partners and a copy thereof furnished to each of the partners who shall be bound thereby unless some manifest error be discovered therein within three months thereafter, in which case such error shall be rectified forthwith. Immediately after the preparation of the Balance Sheet and Profit and Loss Account as aforesaid, the net profits shown by such accounts shall be divided between the partners in proportion to their respective shares therein.

20. No partner shall without the (previous) (written) consent of the others :

- a) Engage directly or indirectly in any business competing with that of the partnership;
- b) Engage or except for gross misconduct, dismiss any employee of the partnership;
- c) Employ any of the moneys, goods or effects of the partnership or pledge the credit thereof, except in the ordinary course of business and upon the account or for the benefit of the partnership;
- d) Lend any of the moneys or deliver upon credit any of the goods of the firm to any person or persons whom any other partner shall have previously in writing forbidden him to trust;
- e) Give any security or promise for payment of money on account of the firm, except in the ordinary course of business;
- f) Draw, accept or endorse any bill of exchange, hundi, promissory note or other negotiable instrument on account of the firm;

- g) Enter into any bond or become bail or surety for any person or knowingly cause or suffer to be done anything whereby the partnership property may be endangered;
- h) Assign, mortgage or charge his share in the partnership or the assets or profits of the firm or any part thereof or make any other person a partner with him therein;
- i) Compromise or compound or (except upon payment thereof in full) release or discharge any debt due to the partnership.

Any partner committing any breach of any of the foregoing stipulations shall indemnify the others of them and the firm against all losses and expenses on account thereof.

21. Every bond, bill, note, bill of Exchange, hundi or promissory note or other security given on account of the partnership (except cheques) shall be signed, endorsed, accepted or executed jointly by all the partners and any bond, bill, note, bill of exchange, hundi or promissory note or other security to which any partner may be a party contrary to this provision shall be deemed to have been on the separate account of such partner who shall pay and discharge the same out of his own moneys and indemnify the other partners and the firm against payment thereof and against all actions, proceedings, costs, charges, expenses, claims and demands in respect thereof.

22. Any partner shall be entitled to nominate or appoint by notice in writing to the other partners and subject to any previous nomination or appointment by notice as aforesaid, by will or Codicil, any person to be a partner in his place in the partnership business on the death of the partner making such nomination or appointment. On the death of the partner making such nomination or appointment, the person so nominated or appointed shall be admitted as a partner in the place of the deceased partner. Upon admission of any such nominee as a partner, he shall be bound by the provisions of this deed so far as may be applicable and shall be entitled to all rights and be under all the obligations of the deceased partner. In case of death of any partner without nominating or appointing any person to be a partner in his place, the partnership shall determine as to the deceased partner on the date of his demise and thereupon the provisions of clauses 24 and 27 of this deed shall apply.

23. Any partner may retire from the partnership by giving not less than three calendar months' previous notice in writing to the other partners of his intention to do so and on the expiry of the period of such notice, the partnership shall determine as to the partner giving such notice and thereupon the provisions of clauses 24 and 27 of this deed shall apply.

24. If any partner shall retire from the partnership during the continuation of the partnership or in case of death of any partner without nominating or appointing any person to be a partner in his place, the Continuing Partners shall as from the date of such retirement or death or if more than one in the proportion in which they may be entitled to share in the net profits of the partnership on the date of such retirement or death, become entitled to the share of the Retiring Partner or deceased Partner in the partnership and in the property and goodwill thereof and shall undertake all the debts, liabilities and obligations of the partnership and pay to the Retiring Partner or to the legal representative of the deceased partner as the case may be as the price of such share his undrawn share of profits upto the date of such retirement or death retirement or death and capital contributed by such Retiring Partner or deceased partner and all other amounts standing to the credit of such Retiring Partner or deceased partner in the firm's books of account as on the date of his retirement or death and in addition, a sum equal to (three) times the average share of such Retiring Partner or deceased partner in the annual profits of the partnership during the subsistence of the partnership PROVIDED ALWAYS that it shall be lawful for the Continuing Partner or partners to elect not to purchase the share of the Retiring Partner or deceased partner by giving notice in writing of such election to the Retiring Partner or legal representative of the deceased partner within three months after his retirement or death and in that case the partnership shall be deemed to have determined as on the date of retirement of the Retiring Partner or death of the deceased partner as the case may be and thereupon the affairs of the partnership shall be wound up as provided in clause 27 hereof.

25. If any partner shall :

- a) Commit any breach of the provision of Clauses 20 or 21 of this deed; or,

- b) Commit any act of insolvency; or
- c) Become physically or mentally unfit to attend to the business of the partnership; or,
- d) Do or suffer any act which can be a ground for dissolution of the partnership by the Court;

then and in any such case, the other partners may by notice in writing expel such partner from the partnership forthwith.

26. Upon expulsion of any partner from the partnership under Clause 25 hereof, the remaining partners shall have the option of purchasing and taking over the share of the expelled partner in the partnership business and in all the properties and assets thereof upon the like terms as set forth in the Clause 24 hereof (or by paying to such expelled partner within three months from the date of such expulsion only his undrawn share of profits upto the date of expulsion and the capital contributed by him to the partnership and all other amounts standing to the credit of the expelled partner in the firm's books of account on the date of such expulsion). In case the continuing partners do not exercise their right to purchase the share of the expelled partner within three months from the date of expulsion, the partnership shall be deemed to have determined as on the date of such expulsion and thereupon the affairs of the partnership shall be wound up as provided in Clause 27 hereof.

27. Upon the determination of the partnership however caused, subject to the provisions of Clause 22 hereof, a full and general account shall be taken of all the assets, credits, debts and liabilities of the partnership and all transactions and dealings thereof and such assets and credits of the partnership shall be sold, realised and got in with all convenient speed and the proceeds thereof applied in paying and discharging the debts and liabilities of the partnership and expenses of and incidental to the premises and the winding up of the partnership affairs and the balance remaining thereafter shall be applied in paying to each partner unpaid profits which may be due to him and his share of capital of the partnership and the balance, if any of such proceeds shall be divided between the partners in proportion with their respective shares in the profits of the partnership. The partners respectively shall execute do and concur in all necessary or proper instruments, acts, matters and things for

effecting or facilitating the sale, realisation and getting in of the partnership assets and credits and due application and division of the proceeds thereof and for their mutual release and indemnity or otherwise.

28. All disputes and questions whatsoever which shall either during the subsistence of the partnership or afterwards arise between the partners or between one or more of them and the legal representatives of other or others or between their respective legal representatives touching this deed or the construction or application thereof or any clause or thing herein contained or any account, valuation or division of assets, debts or liabilities to be made hereunder or as to any other matter in anyway relating to the partnership business or the affairs thereof or the rights, duties or liabilities of any person under this deed shall be referred to arbitration in accordance with and subject to the provisions of the Indian Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force.

IN WITNESS WHEREOF the parties hereto have hereunto set and subscribed their respective hands the day and year first hereinabove written.

SIGNED AND DELIVERED by the)
withinnamed _____)
_____)
in the presence of : _____)

SIGNED AND DELIVERED by the)
withinnamed _____)
_____)
in the presence of : _____)

SIGNED AND DELIVERED by the)
withinnamed _____)
_____)
in the presence of : _____)