Partnership Deed Format

Sample for a two-partner firm in India | References: Indian Partnership Act, 1932 and Section 35(e), Income-tax Act, 2025

> Before you use this: This is an illustrative format, not a government-prescribed deed or legal advice. Complete or delete every bracketed field, agree amounts and ratios, confirm stamp duty and execution requirements for your state, and obtain legal and tax review. Section 35(e) sets conditions for deducting partner remuneration and interest; it does not prescribe a universal deed format.

PARTNERSHIP DEED

This deed is made at [CITY, STATE] on [DATE] by the persons identified below, who agree to carry on business in partnership on these terms:

Partner	Full legal name and address	PAN / identifier
Partner 1	[NAME], [FATHER/MOTHER NAME], [FULL ADDRESS]	[PAN]
Partner 2	[NAME], [FATHER/MOTHER NAME], [FULL ADDRESS]	[PAN]

1. Firm name and principal place

The partnership shall carry on business under the name [FIRM NAME] at [PRINCIPAL ADDRESS]. Additional places of business may be opened with the written consent of both partners.

2. Business

The firm shall undertake [SPECIFIC BUSINESS ACTIVITY]. Any material change in the nature of business requires written consent of both partners and any applicable registration or licence update.

3. Commencement and duration

The partnership begins on [EFFECTIVE DATE]. It shall be [AT WILL / FOR THE FIXED TERM ENDING DATE / FOR A DEFINED PROJECT]. Choose one and delete the others. This deed applies prospectively from the date on which it is executed and takes effect, subject to applicable law.

4. Capital contributions and profit shares

The partners shall contribute the amounts and share profits and losses set out below. Contributions and profit shares are distinct; the ratio is not inferred from capital unless stated here. Changes require a written supplementary deed.

Partner	Initial capital	Profit share	Loss share
Partner 1	₹ [AMOUNT]	[ ]%	[ ]%
Partner 2	₹ [AMOUNT]	[ ]%	[ ]%
Total	₹ [TOTAL]	100%	100%

Additional capital and loans beyond agreed capital require written agreement about amount, repayment and interest. Keep the accounts separate.

5. Management and partner authority

Both partners may participate in management. [PARTNER NAME] shall handle [OPERATIONS]; [PARTNER NAME] shall handle [FINANCE/SALES]. Decisions on borrowing above ₹ [THRESHOLD], admitting a partner, transferring material assets, changing business activity or giving a third-party guarantee require written consent of both partners. Other ordinary-course decisions shall be made by [RULE].

6. Bank accounts and signing

The firm shall maintain bank account(s) in its own name. [PARTNER NAME / BOTH JOINTLY] may operate them, subject to the bank mandate. Neither partner may open a firm account in a personal name. Changes to signatory authority require written partner approval and notice to the bank.

Partner payments and operating rules

Complete this section with a tax professional. Do not leave remuneration or interest amounts open to interpretation.

7. Remuneration to working partners

Only the partners listed below who are individuals actively engaged in the firm's affairs are authorised to receive remuneration for work from the effective date stated. The amount is fixed here; no payment is authorised for a period before the applicable deed authorises it. If no remuneration is intended, write “NONE” for each partner. Any future change requires a signed supplementary deed effective prospectively. The firm's tax deduction is subject to Section 35(e) of the Income-tax Act, 2025.

Working partner	Role	Authorised amount / frequency	Effective from
[PARTNER 1 / NONE]	[ROLE]	₹ [AMOUNT] per [MONTH/YEAR]	[DATE]
[PARTNER 2 / NONE]	[ROLE]	₹ [AMOUNT] per [MONTH/YEAR]	[DATE]

If remuneration is linked to book profit or another variable instead, replace the fixed amount with a specific, measurable formula in a lawyer-reviewed deed. “As decided later” alone does not quantify remuneration.

8. Interest on capital and partner advances

Interest on positive capital balances is authorised at [ ]% simple interest per annum, calculated on [DAILY / MONTHLY] balances, from [DATE], and payable subject to applicable law. Write 0% if no capital interest is intended. Interest on a documented partner advance beyond agreed capital shall be [ ]% simple interest per annum, subject to the written advance terms. Section 35(e) limits the firm's deduction for interest to partners to 12% simple interest per annum; a deed cannot itself guarantee deductibility.

9. Drawings and profit distribution

Partner drawings may be made within limits agreed in writing. Drawings are debited to the partner's account and adjusted against amounts payable. Net profit or loss, after proper charges, shall be allocated in the ratio in Clause 4. Distribution is subject to available funds and liabilities.

10. Books, reporting and inspection

The firm shall keep complete records and accounts at [LOCATION OR DIGITAL SYSTEM], close its accounts on [FINANCIAL YEAR END], and give both partners reasonable access. It shall obtain audit and file tax and other returns when required by law.

11. Admission of a new partner

A new partner may be admitted only with both partners' written consent and a signed supplementary deed specifying the admission date, capital, profit and loss shares, authority and treatment of existing liabilities. Relevant authorities, banks and payment providers shall be notified where required.

12. Retirement and settlement

A partner wishing to retire shall give [NUMBER] days' written notice, subject to the nature of this partnership and applicable law. Accounts shall be drawn as at the exit date. The outgoing partner's capital, share of profits or losses, drawings and liabilities shall be valued using [METHOD] and settled within [PERIOD], subject to lawful set-offs and third-party liabilities.

13. Death or incapacity

On a partner's death, the deceased partner's interest shall be valued and settled with the estate under Clause 12. For a two-partner firm, the survivor alone cannot continue the same partnership; the survivor may carry on the business only under a lawful new arrangement, including admitting another partner if appropriate. Notify counterparties and authorities as required.

14. Expulsion and breach

A partner may be expelled only where a valid contractual power applies and it is exercised in good faith, after written notice, reasons and an opportunity to respond, subject to applicable law. Otherwise, disputes are handled under Clause 15.

15. Disputes and dissolution

Partners shall first attempt resolution in writing within [NUMBER] days. If unresolved, disputes shall be referred to [MEDIATION / ARBITRATION TERMS OR COURTS AT CITY], subject to law. On dissolution, liabilities shall be paid and remaining assets distributed according to the applicable law and the partners' accounts.

16. Amendment, notices and governing law

This deed may be amended only by a written instrument signed by all partners and stamped where applicable. Notices shall be delivered to the addresses stated above or later notified in writing. Indian law and applicable state rules govern this deed.

Execution checklist and signatures

Check before signing: Replace every [BRACKETED FIELD]. Confirm both profit and loss ratios total 100%. Specify actual remuneration and interest terms, or write “NONE” / 0%. Confirm stamp duty, witness, notarisation and firm registration requirements in your state. Do not backdate partner payments or assume a tax deduction merely because it appears in the deed.

Executed by the partners at [PLACE] on [DATE]:

Partner 1	**Partner 2**
Signature: _____ Name: [FULL NAME] Date: _____	Signature: _____ Name: [FULL NAME] Date: _____

Witnesses (as applicable)

Witness 1	**Witness 2**
Signature: _____ Name: [FULL NAME] Address: [FULL ADDRESS]	Signature: _____ Name: [FULL NAME] Address: [FULL ADDRESS]

Official references

Income Tax Department: Section 35, Income-tax Act, 2025
https://www.incometaxindia.gov.in/w/section-35-174

India Code: Indian Partnership Act, 1932 (Act 9 of 1932). Confirm any state amendments applicable to your firm.

This sample does not cover every business, tax or state-specific issue. Finalise with a lawyer and tax professional before signing.