

Importance of Business Registration

The legal source for registering a sole proprietorship or a partnership business carried out by partners is provided by the Business Names Ordinance No. 6 of 1918. As described therein, the registration of a sole proprietorship or a partnership business can be done through the Divisional Secretariat office relevant to the Grama Niladhari division where the business is established. The procedure for doing so is as follows:

Within 14 days from the date of commencement of the business, one must visit the nearest Divisional Secretariat office and obtain an application form related to business registration from the Business Names Registration Department. To obtain this application form, you must make a written request via a letter and submit that letter of request to the relevant Divisional Secretariat office along with a certificate from the Grama Niladhari belonging to the respective Grama Niladhari division, confirming that a business is being conducted.

The main reason for obtaining such a certificate from the Grama Niladhari is to prevent fraudulent registration, where someone might falsely claim that a business exists under their name without actually operating one. The Grama Niladhari is the government officer who works directly with the relevant Divisional Secretariat office. Based on the document confirmed and provided by him, the Divisional Secretariat office issues the application form relevant for registration.

Thereafter, the application form must be duly filled, certified by the Grama Niladhari, and submitted to the Business Names Registration Department of the Divisional Secretariat office. A special point to be mentioned here is that a business name previously registered by someone else will not be accepted for re-registration under your name.

For instance, if someone has registered and is operating a business using the name "Sandakalum Print House", another person cannot register and operate a business using that same business name. The law does not grant such permission, and if a previously registered name is used for your business, it will not be accepted for registration. Therefore, when deciding on a business name, it must be a business name that is not currently in use.

If a person operates a business with a business name but it is not registered, and if the name of that business is not the full name of the person operating it, another person can use that name as their own business name. In such a scenario, since that business is not on the business name registration list, the individual who submits the registration documents first among the two businessmen can verify it as their own business and complete the registration.

Consequently, the person who previously operated the business using the exact same name becomes an individual conducting business activities unlawfully, as he has not registered it. Therefore, a person can avoid this difficulty by registering their business name within 14 days of starting the business.

After submitting the required documents to the relevant Divisional Secretariat office as mentioned above, a certain amount must be paid as a registration fee. After paying that amount, the Certificate of Business Name Registration can be obtained. Thereafter, that certificate must be hung and displayed at the place where the business is conducted.

Since many entrepreneurs do not know the importance of this registration, they do not pay attention to registering their businesses. This is an act of blocking the path to expanding their own business. When obtaining bank loans to develop the business, the main factor banks consider is whether the business is registered or not.

Even in projects initiated by the government to uplift small-scale entrepreneurs, when providing financial aid or material assistance, they check whether the business is registered or not in order to provide the relevant benefit to the most accurate person. Therefore, no matter what type of business is conducted, it is highly important to register it and maintain it in a formal manner. Through that, the entrepreneur can reap a large number of benefits.