

Limited Liability Partnership

Limited Liability Partnership (LLP) in India

One hugely popular and highly preferred category of entity for doing business in almost all economic sectors in the majority of the countries worldwide, is the limited liability company (LLC), along with the private and public limited corporations. In India and many other countries, these limited liability companies are better known as the Limited Liability Partnerships (LLPs). This long-awaited form of a company was introduced to the Indian corporate world in April 2009, through the innovative LLP Act of 2008. This unique form of legally recognized corporate entity integrates the features of both the limited corporations and the traditional partnership firms. As it is a unique hybrid combination of a limited company and a partnership, this LLP is especially suitable for small to medium-sized business or professional enterprises.

The most impressive and enticing features of an LLP, are the following --- simplicity and ease of formation and registration; no prescribed minimum capital requirement for each partner; lavish benefits of the property of limited liability and tax concessions like an incorporated limited corporation, along with the great operational flexibility of a partnership firm; least regulatory compliances; perpetual existence and international recognition; direct and conveniently flexible business management as per the LLP Agreement; and lastly, all partners have limited liability and they are not directly or immediately responsible for the acts (mistakes, misconducts, negligence, or incompetence, etc.) of the other partners of the LLP.

This amply popular form of a company in India is also permitted for making foreign direct investment in India. Again, all other forms of companies and firms, private or public limited, listed or unlisted on stock exchanges, can preferably be converted to LLPs, as per the provisions provided in the LLP Act of 2008. Winding up of any LLP is made through voluntary consent or necessary interference of the concerned Tribunal.

Requirements for LLP Registration in India

In India, formation, registration, and regulation of an LLP is exclusively governed and controlled by the rules, provisions, and regulations provided in the LLP Act of 2008 and the LLP Rules of 2009. The Ministry of Corporate Affairs (MCA), Government of India, and its well-equipped web portal [www.llp.gov.in] is directly concerned for establishing an LLP anywhere in entire India by Indian or foreign people or entities. After getting approval and reservation of any of the proposed names, application for registration of the cherished LLP is made through the Form-2, Form-4, and Form-3, along with all other demanded documents and enclosures. The prescribed registration fees, based on the total capital contributions by all the partners, are listed in the Annexure A of the Indian LLP Rules of 2009. After through

and critical examination and verification of the accuracy and validity of the submitted forms, documents, and enclosures, MCA will grant the Certificate for LLP Incorporation in Form-16, within a period of about 15 days of the submission of all forms and documents.

The main and most important requirements for registering an LLP anywhere in India, are the following: ----

- There are essentially required two partners, one of them must be a resident of India, who has stayed anywhere in India for at least 182 days in the preceding financial year. There are placed no constraints to the maximal number of partners in an LLP in India.
- Two Designated Partners with proper DPINs. At least one designated partner must have DSC (Digital Signature Certificate). The DPIN (Designated Partner Identification Number) is quite similar to the DIN (Director Identification Number) which is necessary for registering a company as per the Companies Act of 2013. If the partners of the proposed LLP already have DINs, then there is no need to apply for DPINs, for setting up an LLP in India. The DPIN is obtainable through filing an application in Form-7, with the portal of the Ministry of Corporate Affairs (MCA), Government of India (www.llp.gov.in/-).
- Approval to the proposed names of the LLP, is obtained through filing Form-1, with the mentioned web portal. As much as six possible names are permitted to be sent, in order of preference.
- Form-2 (It shows the location of the main or registered office of the LLP, details of the partners, statements, etc.)
- Form-4 (It contains information about the appointments of the designated partners, and their consents)
- LLP Agreement (Form-3) --- This is the main and most significant administrative and managerial documents of an LLP, and corresponds to the MOA and AOA of any incorporated corporation. This vital document contains rules, provisions, and regulations for running and managing efficiently the concerned LLP by the designated partners. This carefully drafted document may also be conveniently submitted to the MCA, within thirty days from the date of registration of the proposed LLP. This LLP Agreement is to be drafted as per the rules and provisions given in the Indian LLP Act of 2008. However, if no any such agreement document is forwarded by the designated partners to the registering authority, then the rules and provisions provided in the Schedule I of this Act, shall be applicable for administration and management of the LLP. In general, the LLP Agreement consists of the following topics or matters ---
 - a) Contributions made by both the designated partners
 - b) Agreed ratio of sharing the profits and losses
 - c) Aims and objectives of the LLP
 - d) Rights and Duties of the partners and designated partners

- e) Provisions for withdrawal or cessation of any existing partner
- f) Extent of the liabilities of the LLP

Annual Compliances by LLPs

Like all other forms of legal entity, LLPs are also essentially required to maintain proper and accurate books of accounts on yearly basis in the manner prescribed, using the double entry systems of accounting. Again, every LLP in India, whose annual turnover exceeds the magnitude of INR-40Lakhs or the total contribution of its partners gets above the limit of INR-25Lakhs, is mandatorily need to get its accounts audited every financial year, strictly in accordance with the rules and provisions provided in the LLP Rules of 2009. The two most important annual compliances to be performed compulsorily by LLPs in India, are the following: ---

- A duly authenticated Annual Return in Form-11, is to be filed with the Registrar, together with the prescribed fee, within a period of 60 days from the closure of every financial year.
- The Statement of Account & Solvency in Form-8, essentially signed by the designated partners, is to be filed within six months from the closure of the respective financial year.

Here, it must be noted that any delay in submitting these two regulatory compliances by the LLPs of India, will invite a penalty of INR-100/- per day, after the above-specified periods.

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