

Limited Liability Partnership (LLP) Act, 2008

Introduction:

- LLP Act was passed by Parliament on 12/12/2008 and received President's Assent on 09/01/09
- It contains 81 sections (sec 81 got deleted recently) and 4 schedules

I	- Mutual Rights & Duties in absence of "	LP Agreement
II	- conversion from Firm to LLP	
III	- " " Pvt. Co " "	
IV	- " " Unlisted Public Co. " "	

- Need for this Act:

To provide an alternative to traditional Partnership

without
unlimited personal
liability.
(Just like a Ltd.
Co.)

statute-based
governance
structure
(Just like a Co.)

• Benefits of LLP:

Liability

Firm → limited to extent of Assets.

Partner → Limited to extent of agreed contribution.

Allows flexibility of organizing internal structure
(like removal, addition, etc. of partners)

Sec 2: Definition:

1. Address: → Partners

- Indv. → usual Residential address
- BC → Registered address.

2. Body corporate:

means



company
u/s 2(20)

includes



→ LLP regt. under this Act
→ LLP incorp. o/s India
→ Co. incorp. o/s India.

Excludes



① Corporation sole (samah lo → OPC)
② Co-op society
③ BC notified by CA.

③ Financial Year : 01st April → 31st March
Next year.

if LLP is incorporated → FY to end on 31st March
AFTER 30/09 of next following
Year.

15th Aug 2023 → FY end
31.03.2024

15th Jan 2024 → 31.03.2025.

15th Dec 2023 → 31.03.2025

14th Nov 2024 → 31/03/2026
incorp

④ Foreign LLP : → LLP which is formed, incorp.
or regd → o/s india
→ Having POB in india.

#

⑤ Small LLP: means a LLP

- (i) Having contribution \leq 25 lakhs or higher amt. as may be prescribed (not exceed \leq 5 crore)
- AND**
- (ii) Turnover \rightarrow As per "Statement of Accounts & Solvency"
 \downarrow
 \leq 40 lakhs or such higher amt as may be prescribed (not exceed 50 crore).

(or)

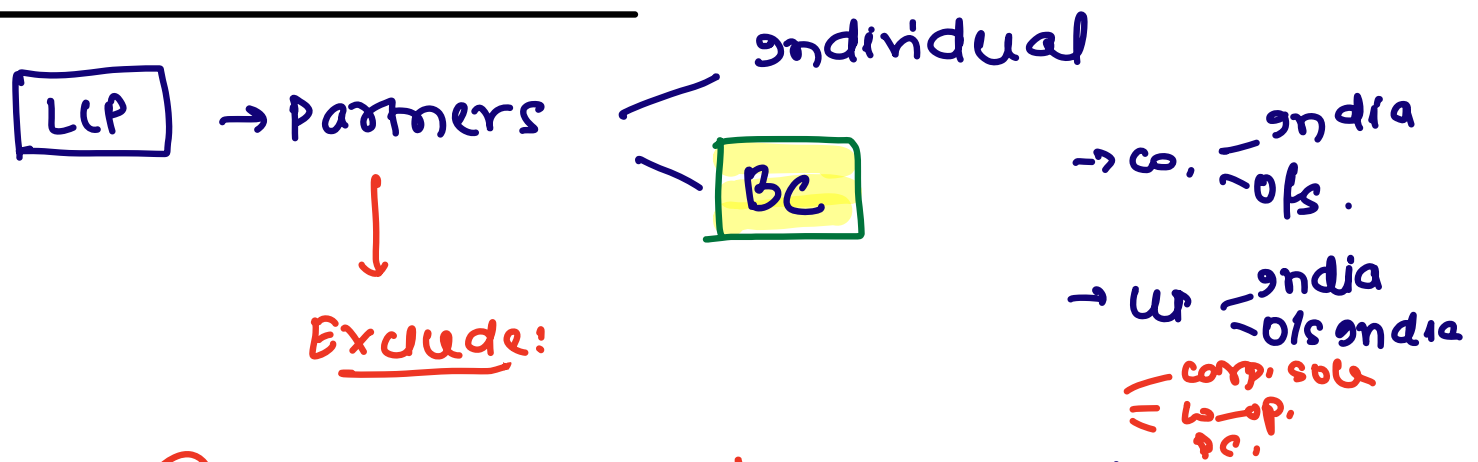
(iii) meets such other T&C as may be prescribed.

• (i) & (ii) or (iii)

Section 4: Save as otherwise provided,

IPA shall not apply to LLPs

Section 5: Partners:



- ① Unsound mind → Declared by competent court.
- ② Undischarged insolvent
- ③ Applied to be adjudged as insolvent + such application is pending.

Note: HUF is not a BC and hence cannot be a partner in LLP.
② Foreign LP can become partner in Indian LLP.

Section 6: Min. no. of Partners

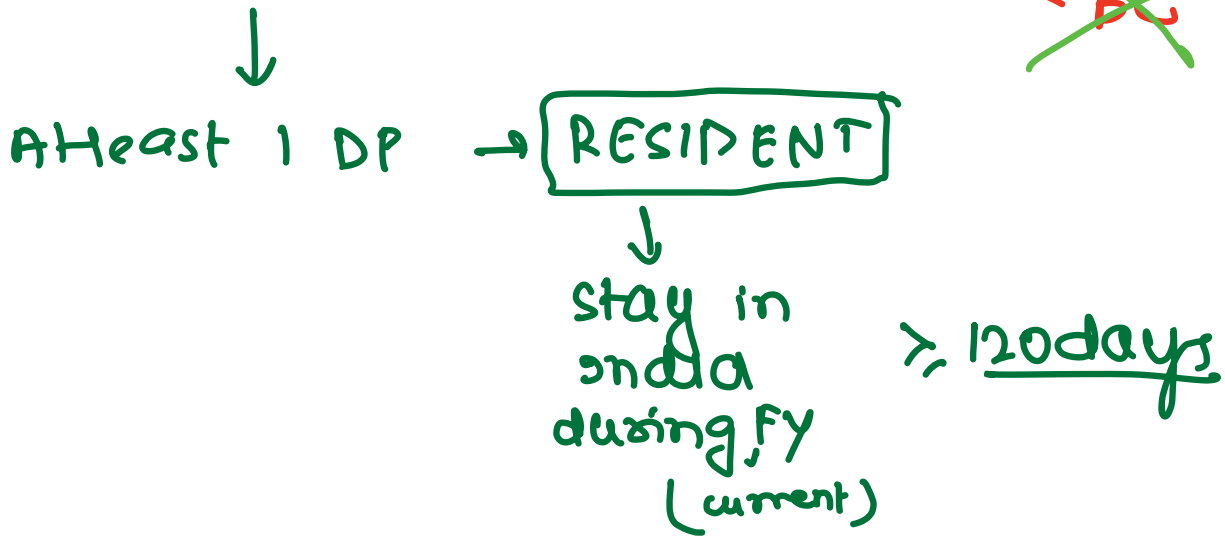
Minimum → 2 partners

Max → No limit

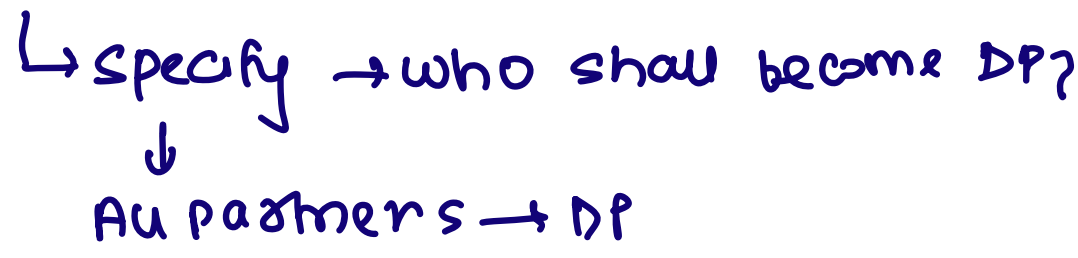
Provided that: If no. of partners is reduced below 2 and LLP carries on business for > 6m → such only partner shall be personally liable for obligations incurred by LLP after 6m.

Section 7: Designated Partners

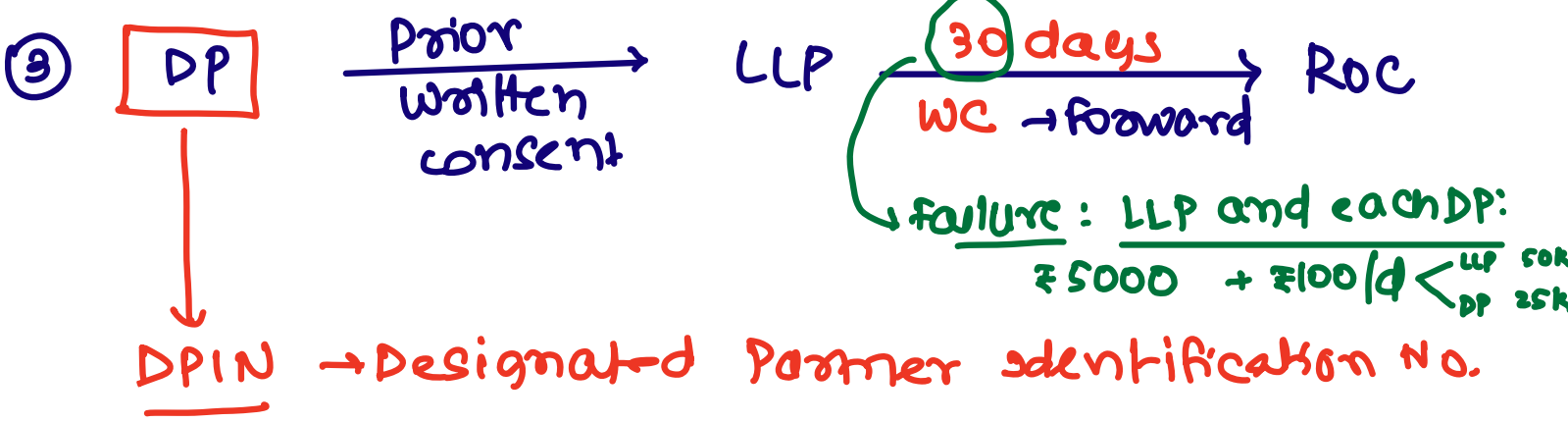
① At least 2 Designated Partners — and v
~~BC~~



② Incorporation documents



+ LLP agreement



note: If you have DIN, DPIN is not required &

Vice-versa

Section 8: Liabilities of DP:

Unless otherwise provided, DP shall be:

Responsible for doing
all the acts of LP
including filing of
docs. returns, etc.

Liable to all
penalties imposed
on LP for
any contravention.

Section 9: Change in DP in case of vacancy (casual vacancy)

LUP may appoint DP within 30 days of
vacancy due to any reason.

If LUP does not appoint & there are no DP
→ Each partner shall be deemed DP

Section 10: Punishment u/s 7 and 9

LLP contravene → 2 DP
 or
 1 Resident DP

~~Designated~~
LLP and each Partner

₹10,000
 +

₹100/day

↓
 max → LP → IL

→ Partner → 50k

P. Firm

LLP

Co.

Invest?

Partner

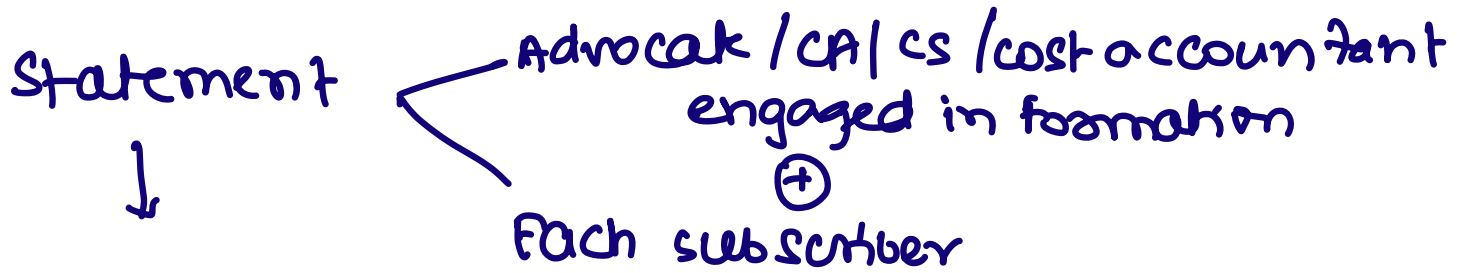
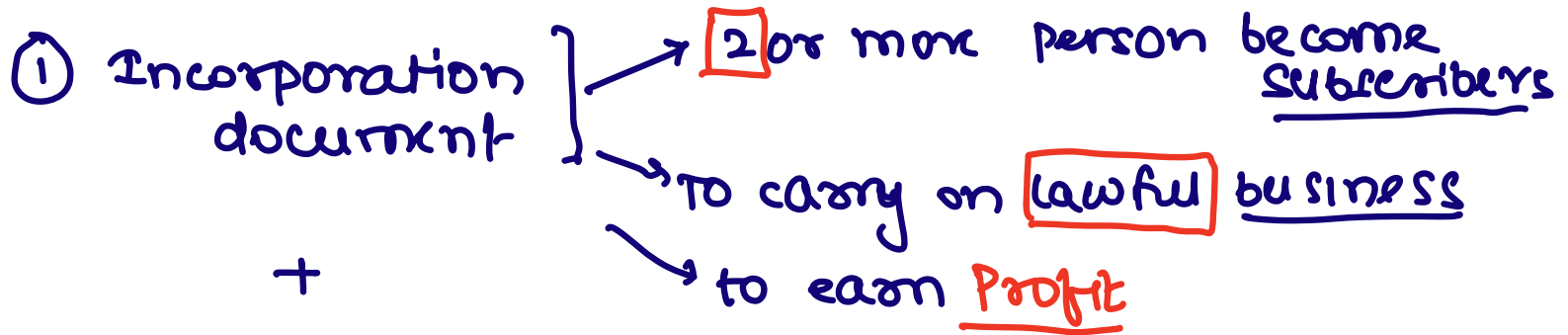
Partner - indiv - - BC - Member

Run?

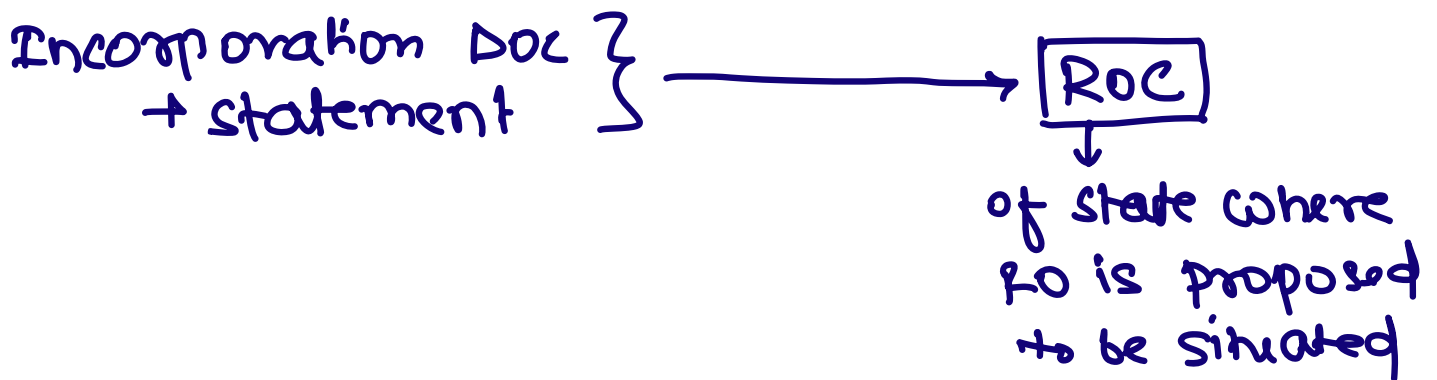
Partner
 (working)

Designated Partner (indiv) ← Director

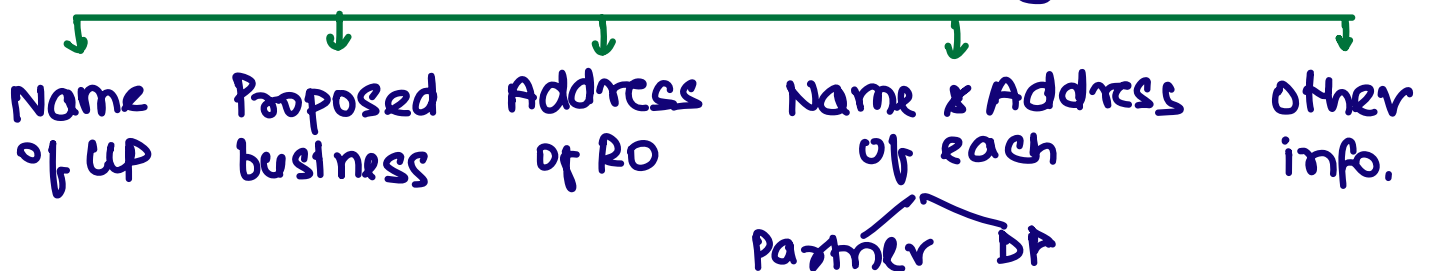
Section 11: Incorporation document

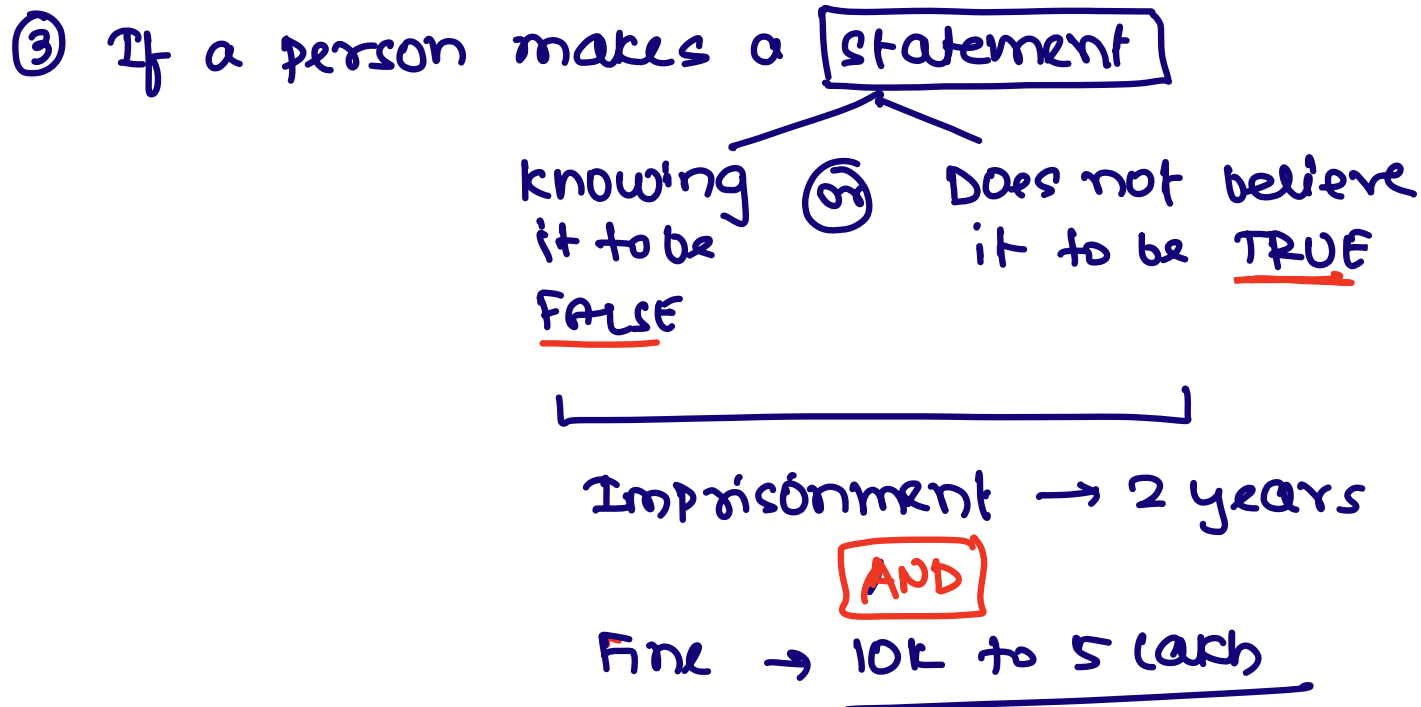


That provision of Act & rules have been complied with.

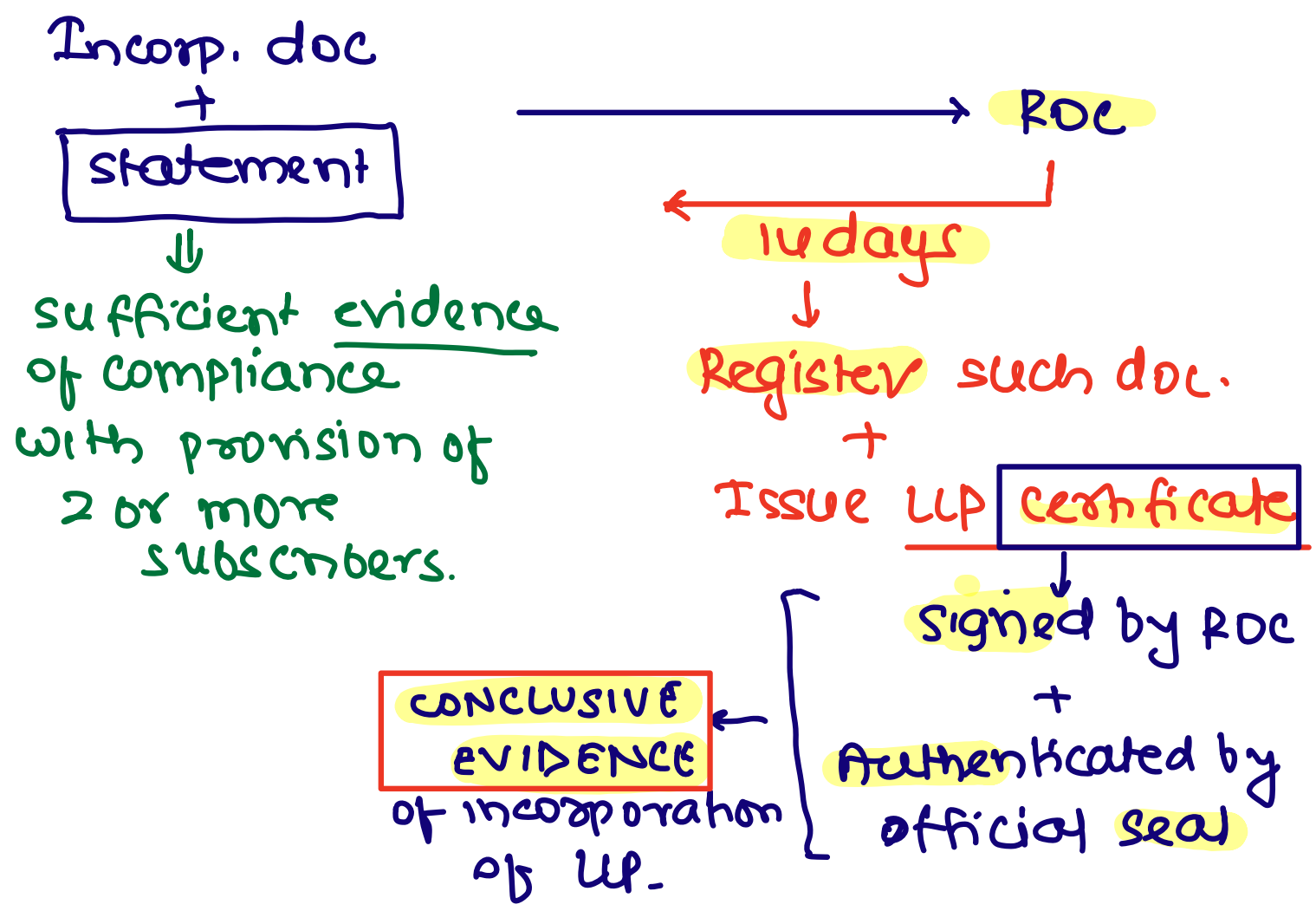


② Incorp. doc. to include the following:





Section 12: Incorpor. by Registration



Section 13: RO and changes therein

① Every LP shall have a **PO** to which all notices & communication — Addressed
— served.

② Manner of service of notice to LP:

- LLP
- Partner
- DP } — serve **at RO** — sending it by post
or
- Registered post
or
Any other prescribed manner.

③ change in RO → file notice to ROC in prescribed manner

④ contravention: LLP and its partner (not DP)

↓
£500/day upto max
£ 50k

Section 14: Effect of registration

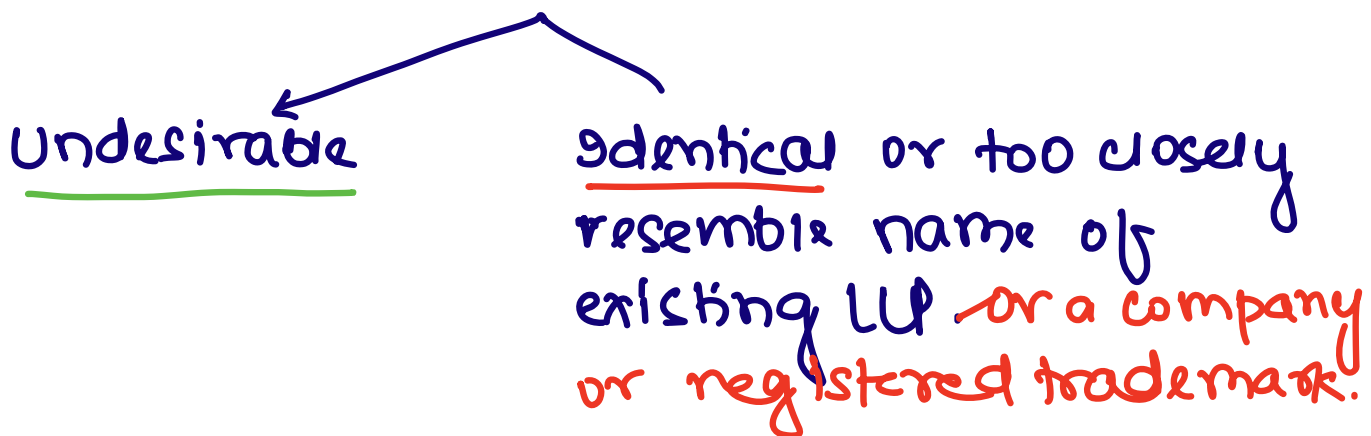
• sue/be sued • Hold properties • may have common seat.

Section 15: Name:

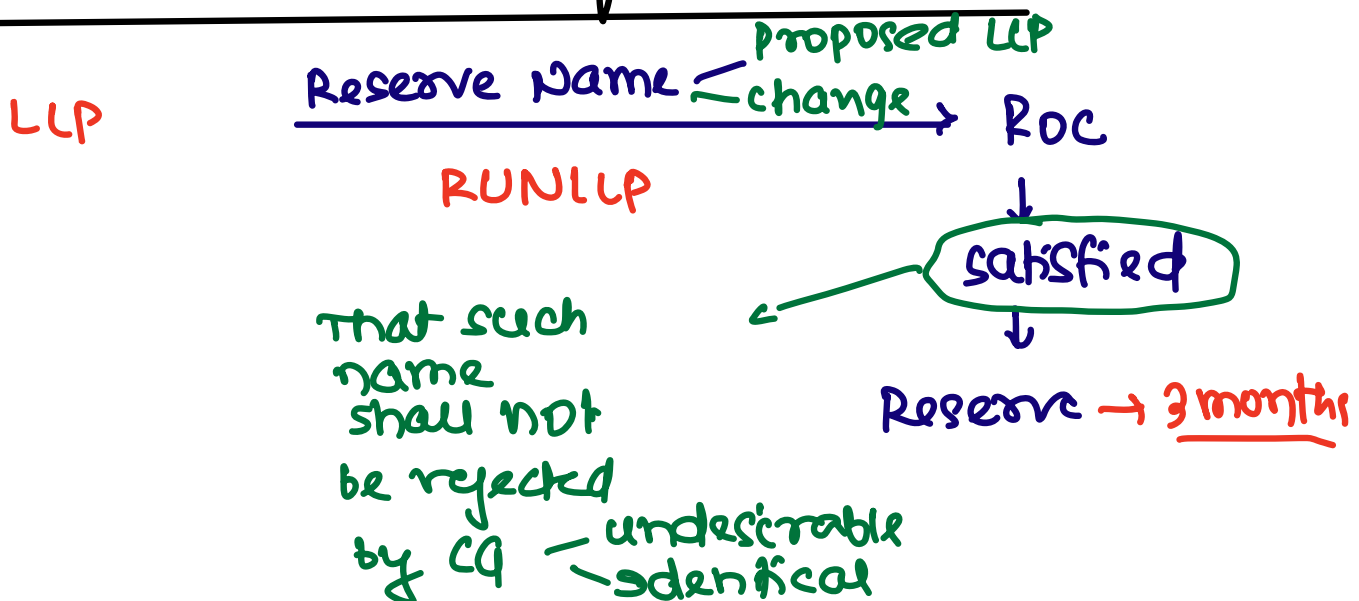
- ① Suffix → LLP
→ Limited liability Partnership.

E.g. ABC LLP or ABC Limited Liability Partnership.

- ② No LLP shall be registered with a name, which in the opinion of Cg:



Section 16: Reservation of name



Section 17: Rectification of Name

[CG cannot act under this section - CUO note]

→ call se.

If through inadvertance or otherwise



LP is registered with a name

- identical or
- too closely resembles



- Name of other LP or company
- or
- Registered trade mark



On application by LP or co. Proprietor → CG

Application within 3 years of

- incorporation
- or
- Registration
- or
- Name change

Direct name change → 3m



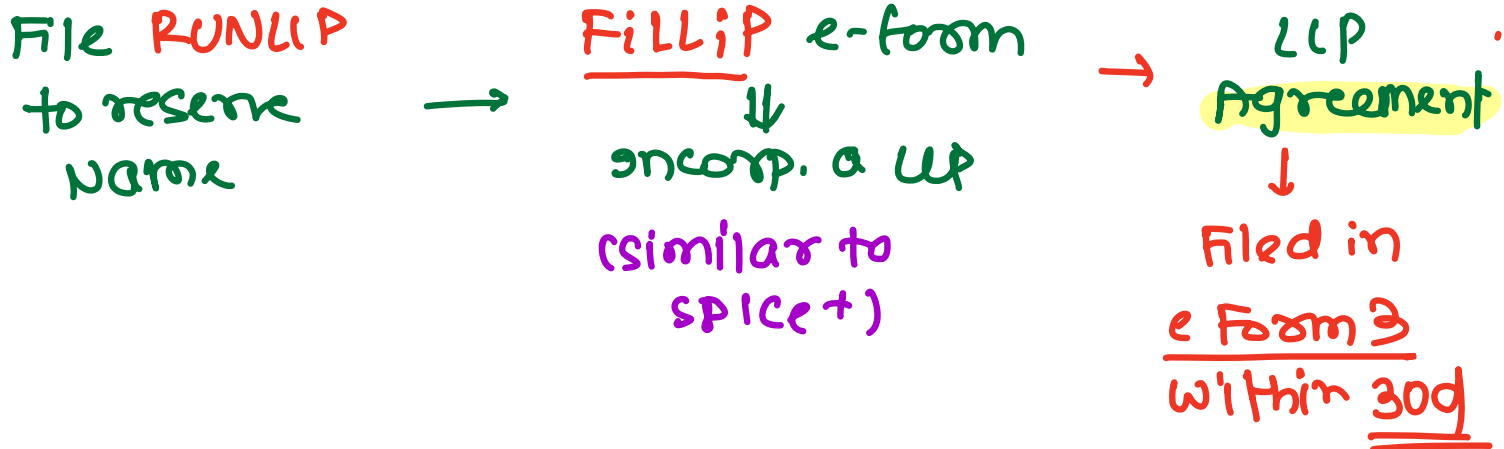
15d → ROC
↓
30 days
CoI

* Default in complying:

CG → Allot new name → ROC
↓
fresh CoI.

↓
LP can subsequently
change this name

Summary of steps to incorp. LLP:



PARTNERS AND THEIR RELATION

Section 22: Eligibility to be Partner

Incorp. doc. → subscribers → Partners

LLP Agreement → Partners

Section 23: Relationship of partners

① Mutual R & D of $\left\{ \begin{array}{l} \text{partners of LLP} \\ \text{LP and its partners} \end{array} \right\}$ Governed by LLP Agreement

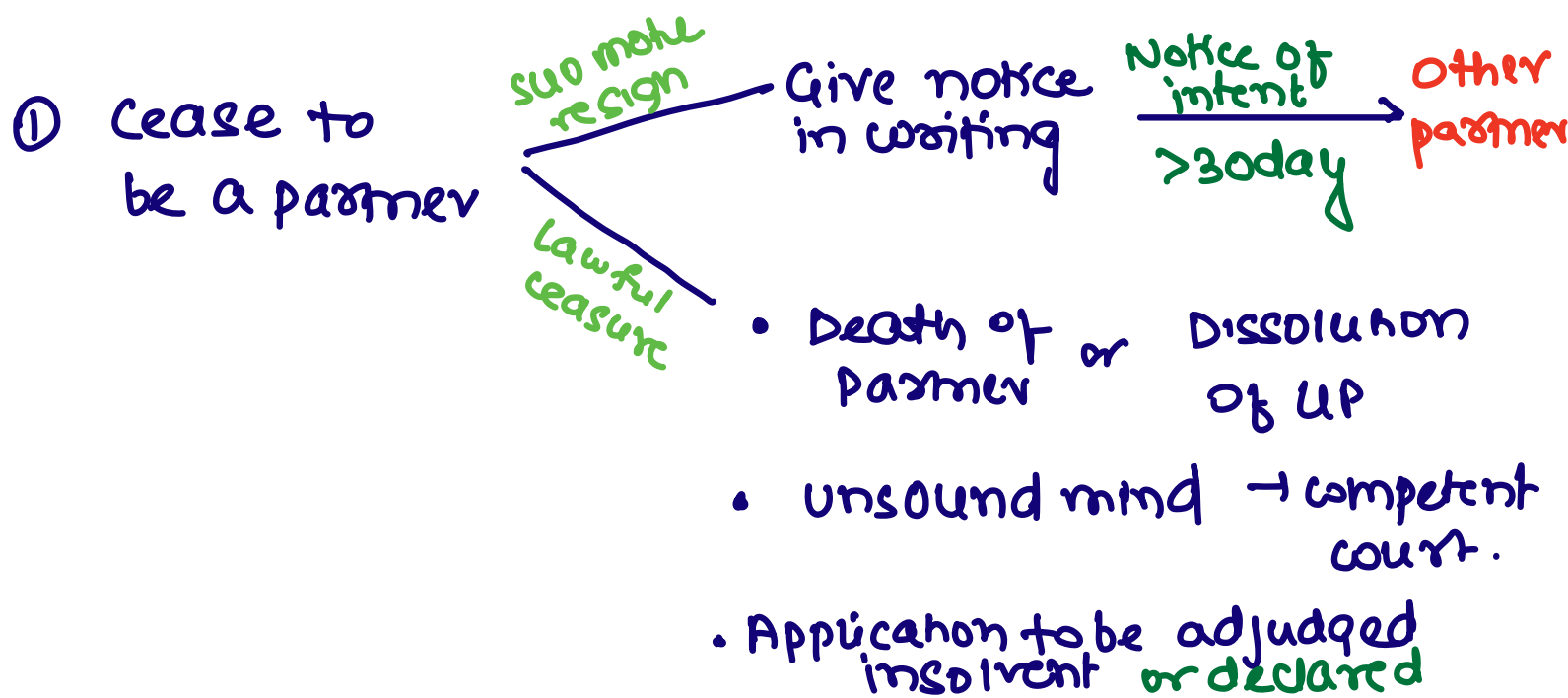
Note: It means, in a way, LLP Agreement becomes mandatory.

② Changes in LP Agreement $\xrightarrow{(30 \text{ days})}$ File with ROC in prescribed manner + fees

③ Agreement in writing before incorporation of LP between subscribers
↓
It shall be valid only if **RATIFIED** by All partners upon incorporation.

④ Absence of LP Agreement
→ schedule 1 to determine Mutual P & D.

Section 24: Cessation of Partnership interest



② Former partner is to be regarded as **still being a partner of LP**, in relation to any person dealing with LP, **unless:**

Such person has notice that former partner has ceased to be a partner.

(or)

notice that former partner has ceased to be a partner

↓
Delivered to ROC

③ Cessation of partner **does not discharge** a partner of obligations incurred while being a partner.

④ Where a partner ceases to be a partner

Such former partner


(or)

Person entitled to his share (due to death or insolvency of former partner).

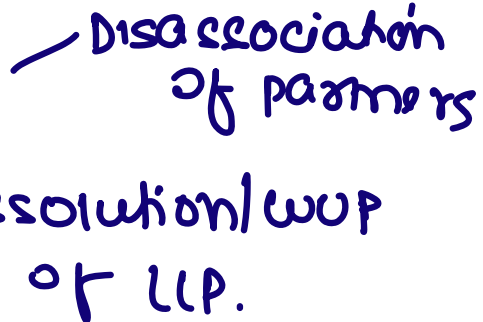


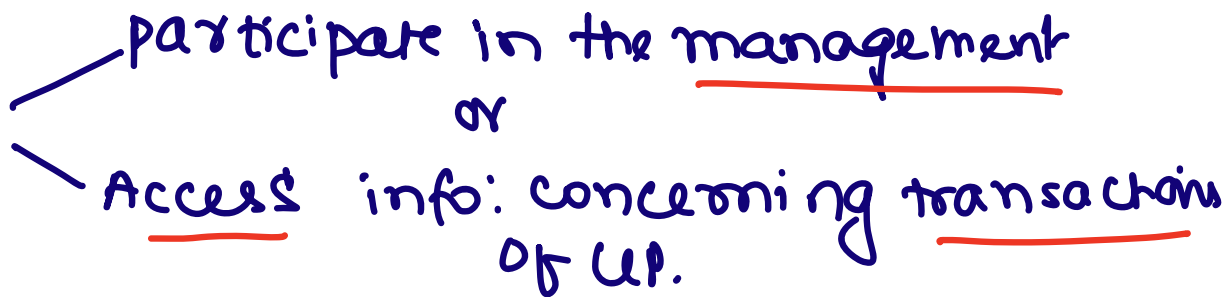
ASSIGNMENT & TRANSFER OF PARTNERSHIP RIGHT

42: Partner's transferable interest

Rights  to share in P/L of the LP
to receive distributions as per LP agreement.

(1) These rights are transferable  wholly
partly

(2) such transfer does not cause  Disassociation
of partners
Dissolution/wup
of LP.

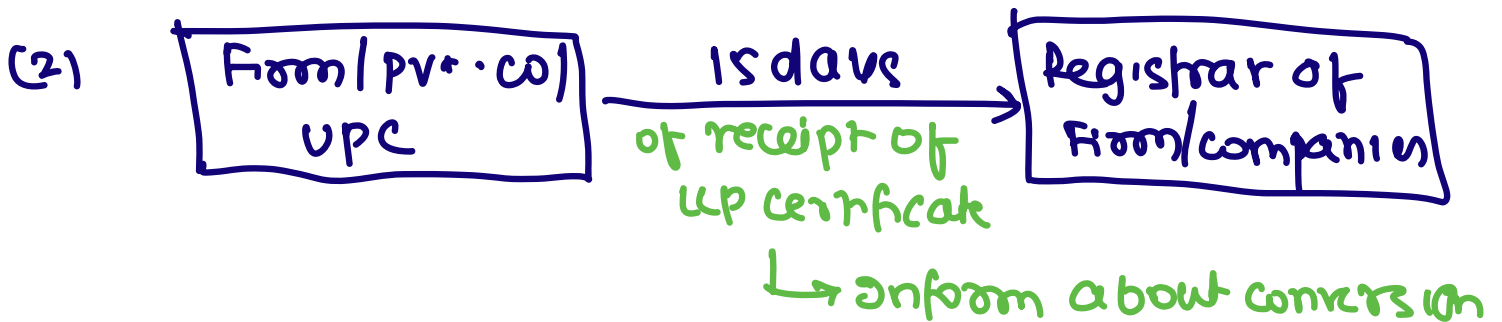
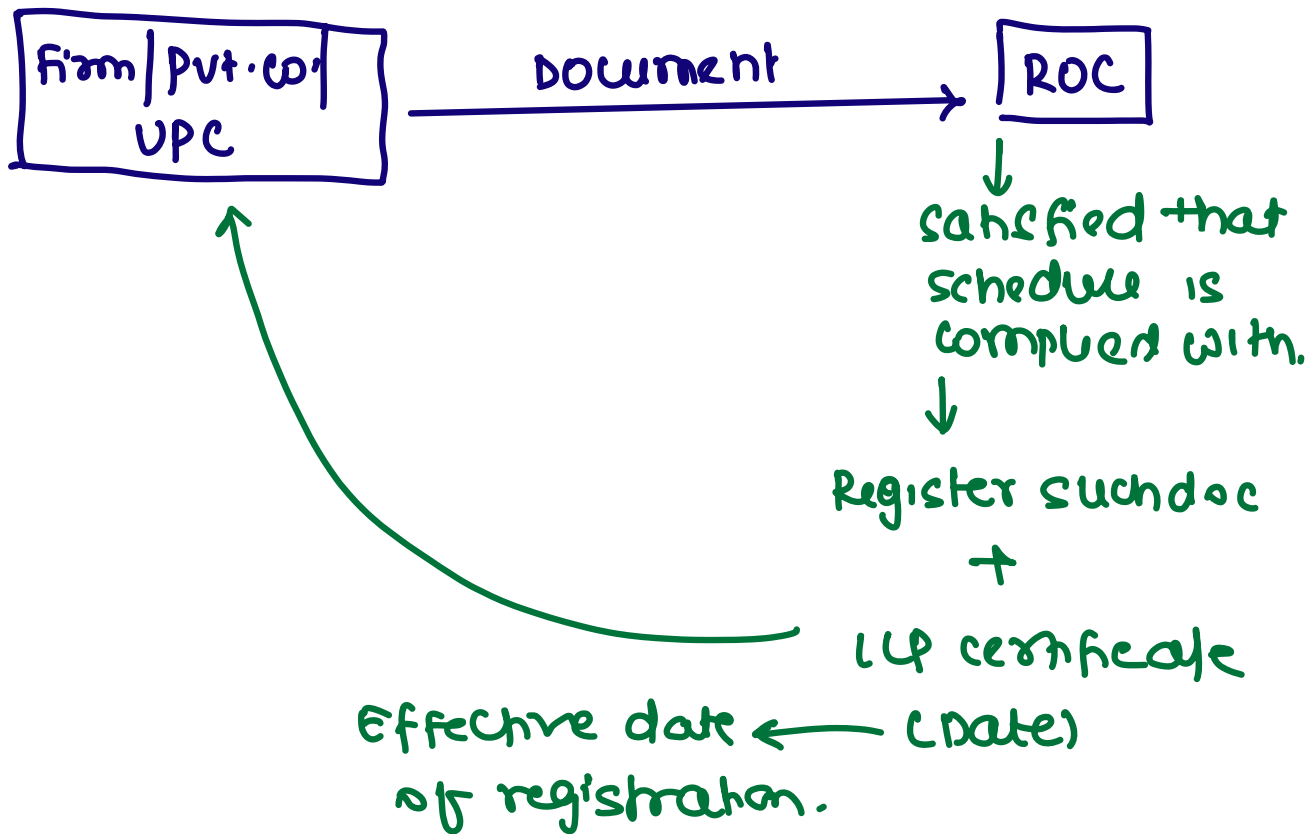
(3) such transfer does not entitle the transferee
↓
TO  participate in the management
or
Access info: concerning transactions
of LP.

CONVERSION

<u>Section</u>	<u>conversion</u>	<u>Schedule</u>
55	Firm \rightarrow LP	2nd
56	Pvt. Co \rightarrow LP	3rd
57	Unlisted public co - LP	4th

* 58: Registration and effect of conversion

(1) After conversion as per provision of respective schedule:



(3) After conversion Partners
↓
LP } Bound as per schedule

(4) Effect of registration:

→ There shall an LP by the name as shown in LP certificate.

→ Firm/pvt co.
UPC - Tangible prop
- intangible prop
- Asset
- Liab
- obligation
- undertaking } Vest with LP

→ Firm
Pvt co.
UPC } Deemed dissolved & removed from register by respective Registrar.

FOREIGN LP

↓
As CG may prescribe. (agrove).

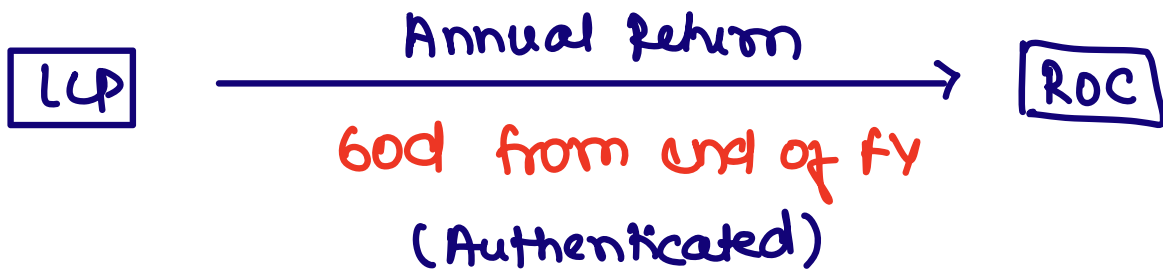
34: Accounting & Auditing Standard

CQ + NFRA

~~gmp~~

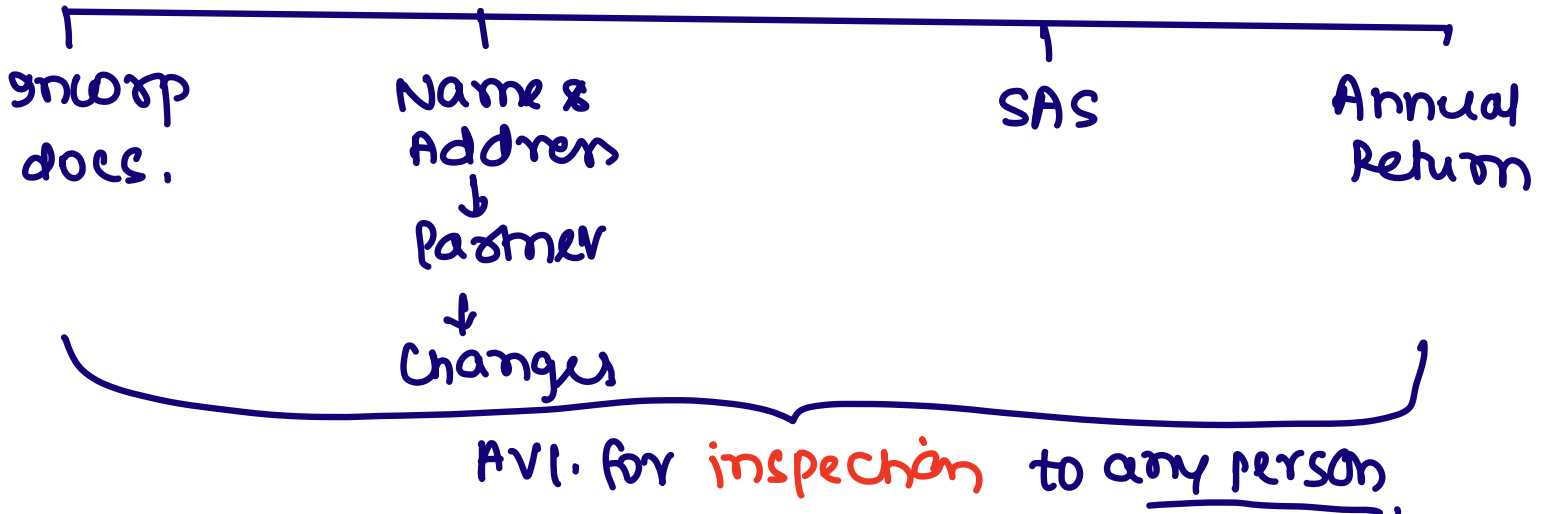
35: Annual Return

PV 24-25
31.03.2025
↓
31.05.2025



Penalty → LP - 100/d - max 1L
 ↓
 DP - 100/d - max 50k

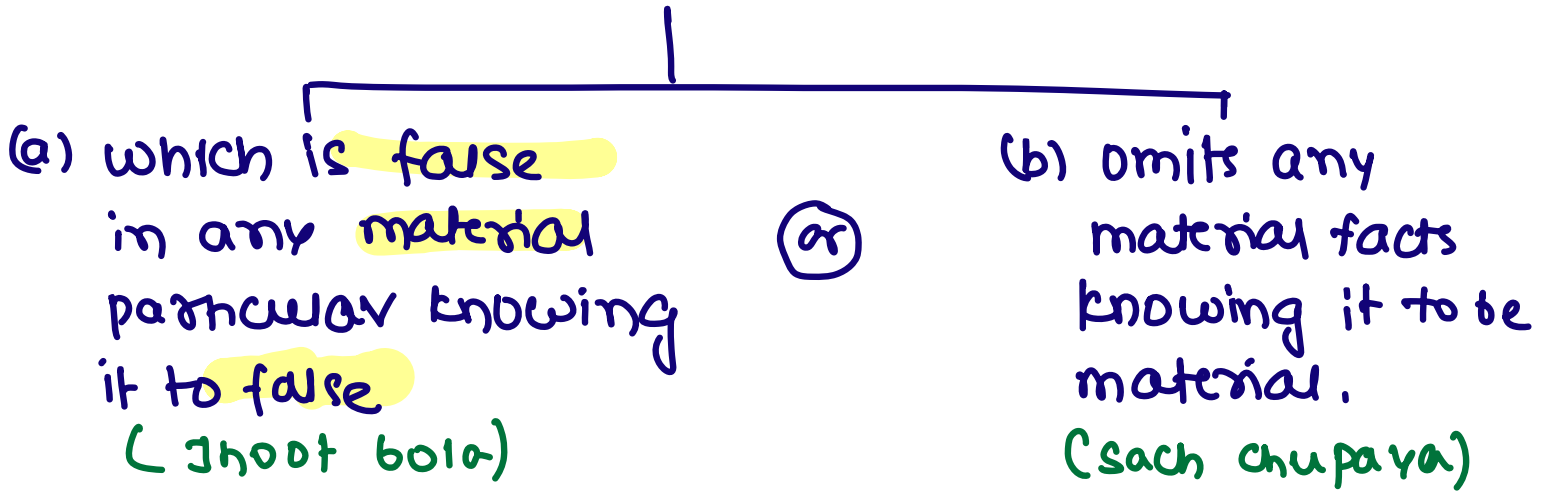
36:



~~37~~

37 Punishment for false statement:

If ⁱⁿ any document, any person makes a statement:



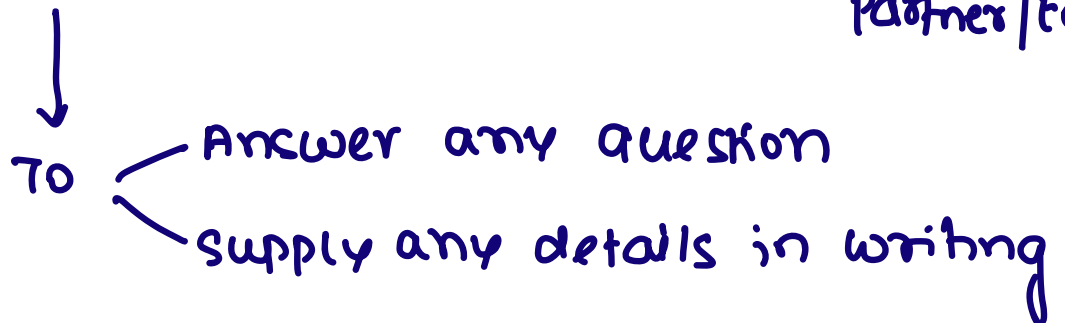
Jail upto 2 years

AND

Fine → 1L - 5Lakh.

38 Power of ROC to obtain information

1. ROC may require **ANY** person (incl. former Partner/Fee)



2. failure to provide answer/details

↓
ROC has power to summon such person
to appear in person

3. Failure → fine 2000 — 25000

39 Compounding of offences

(matlab. prosecution avoid karenge ek bada amount fine ka zama karke jaise kishore biyani ne future consumer ke insider trading case men kiya).

Authority? → RD↑ — RD or office above rank of RD.

- RD↑ may compound an offence punishable with **fine only**

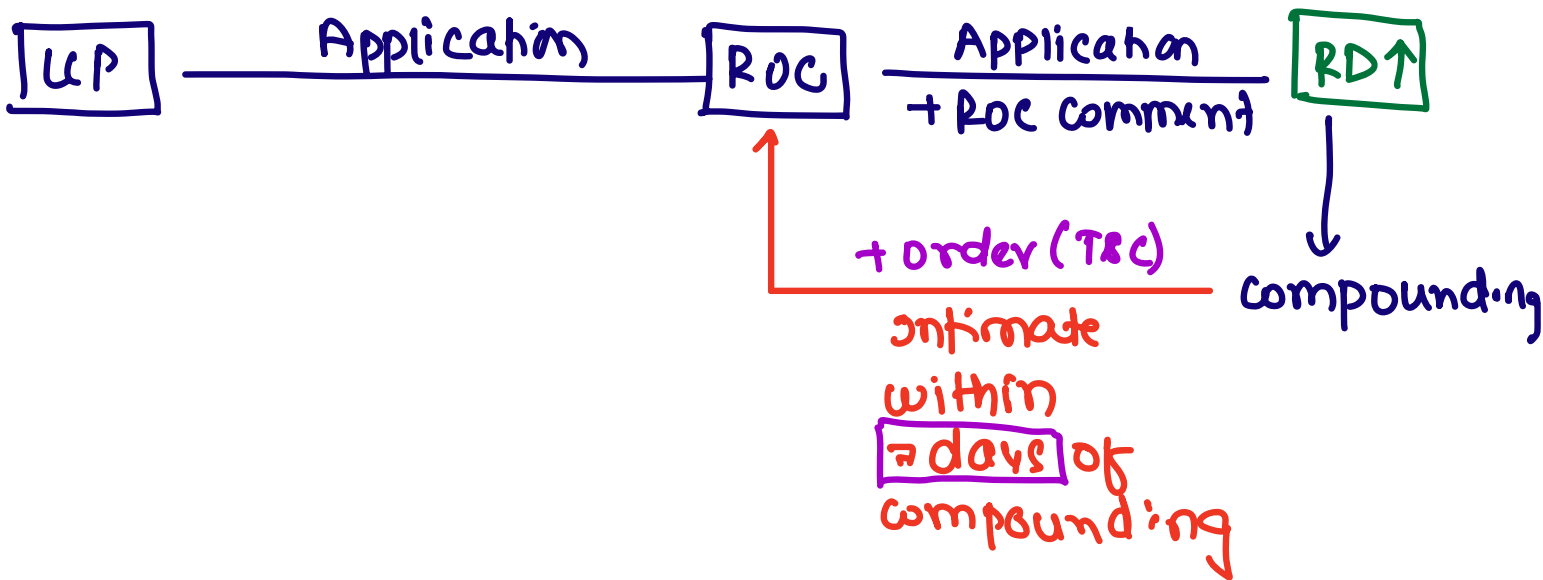
↓
By collecting a sum (which may extend upto max fine for such offence but not less than min. fine).

- compounding — **N.A.** to offence committed within 3 years from date on which **similar offence** was compounded

Note: 2nd or subsequent offence AFTER 3 years

shall be deemed to be first offence

3. Process of compounding:



4. Consequence of compounding:

Before institution of prosecution - No Pros. shall be instituted

After institution - ROC to inform court about compounding & LP to be discharged

5. Failure to comply with order of RD↑

↓
Pay 2x the fine.

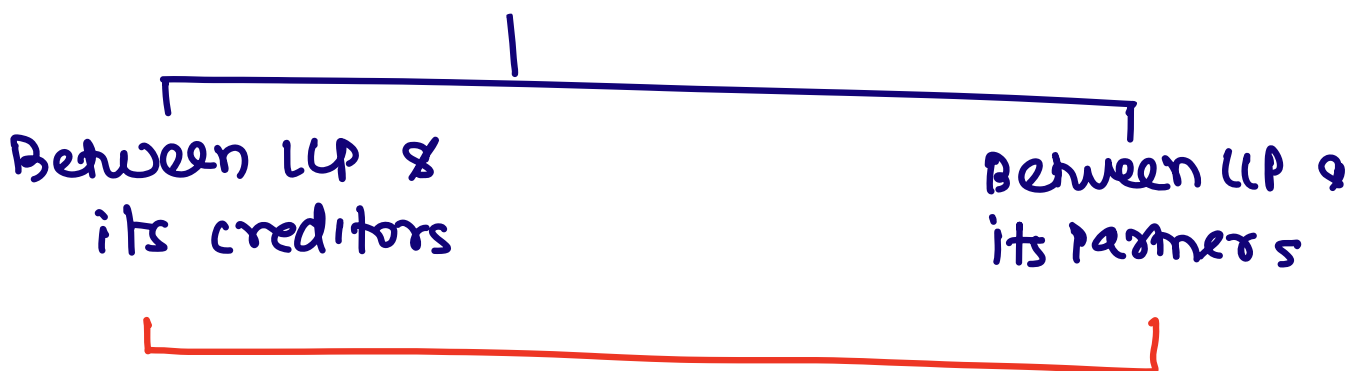
Assignment, transfer → discussed later

COMPROMISE, ARRANGEMENT, AMALGAMATION

[C/A]

60 C/A of LLPs:

1. Where C/A is proposed



- ∴ LLP
- ∴ creditor
- ∴ partner
- ∴ liquidator.

} Apply to NCLT.

↓
order meeting to be

called
Held &

conducted

(2) Scheme on C/A to be approved

Majority + 3/4th in value Agree

↓
NCLT

→ sanction

→ Binding

LLP
crs
partner
liquidator

only if NUT is satisfied that:

All material facts
w.r.t. latest
financial position

Details of
pendency of
investigation

↓
Disclose ←.

③

NUT
order

copy

→ Roc

↓
Effective only
after filing with
Roc

④

Penalty

LLP → 10,000 + 100/d → 1 lakh
DP → 10,000 + 100/d → 50k.

⑤

until application is disposed off, NUT may

↓
Stay — of any Suit.

commencement

continuation

61 → written after 62

62 Provision for facilitating reconstruction or amalgamation:

1. Where an application made to NCLT u/s 60 and it is shown that:

↓

- C/A has been proposed for a scheme of amalgamation of 2 or more LLPs

and

- Under the scheme, whole / part of ↳ Undertaking
Property
Liability shall be transferred to other LLP. (UPL)

↓

↓

Tribunal may include in his order:

(a) Transfer of UPL to transferee LLP

(b) Continuation of legal proceedings by the LLP.

(c) Dissolution w/o winding up of TOR LLP

(d) Provision for person dissenting from such C/A.

(e) other incidental provision.

2. Where such order provides for trf. of UPL
↓

Such trf. shall be FREE FROM ANY CHARGE
(only if order so directs)

3. NCLT order $\xrightarrow[\text{30 days}]{\text{copy}}$ ROC

4. Penalty $\left[\begin{array}{l} \text{UP} \\ \text{DIP} \end{array} \right] 10000 + 100/d$ $\left\{ \begin{array}{l} \text{max LP 1 lakh} \\ \text{OID 50k.} \end{array} \right.$

NOTE:

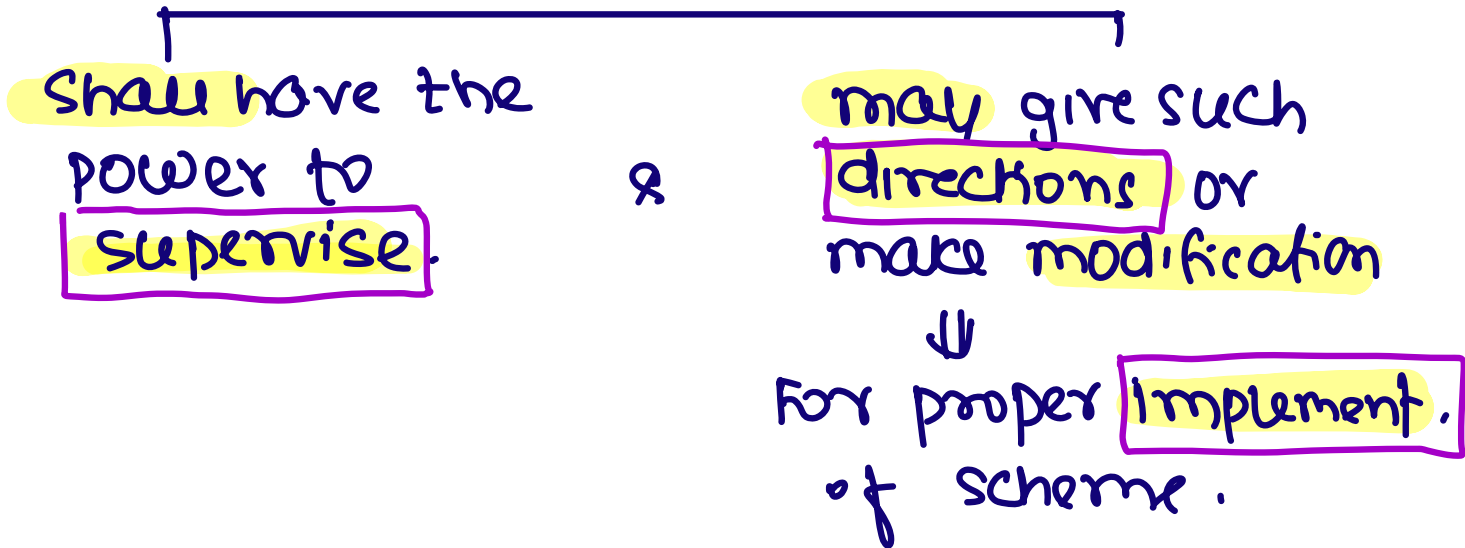
1. Sec 62 is to be complied over and above Sec 60.
2. No scheme of C/A of an UP which is being wound up shall be sanctioned

Unless → ↓ NCLT receives a report from ROC

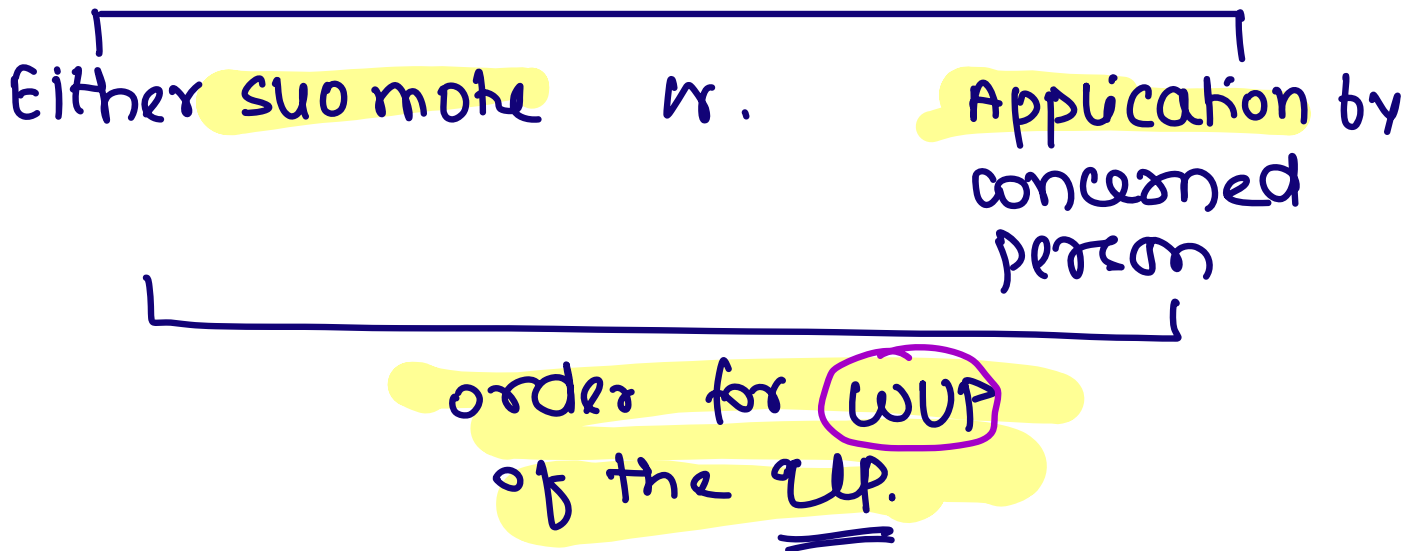
↓
Affairs of UP were
not prejudicial
in public intt.

[61] Power to ENFORCE scheme of CIA

1. Where NCU sanctions a scheme, it:



(2) If NCU is satisfied that CIA cannot be implemented satisfactorily, it may:



Winding up & Dissolution

[63] Winding up (WUP)

LP may be wound up voluntarily
or
By Tribunal

Circumstances when Tribunal may order WUP: [VIP DJ]

(1) When LP decides to be wound up ✓

(2) NO. of partners < 2 → for > 6m. P

(3) LP has acted against interest of: I

- Sovereignty & integrity of India
- Security of State
- Public interest

(4) Default in filing SAS
and
AR } for 5 consecutive
Fy D

(5) If Tribunal is of opinion that it is just and equitable to WUP such LP. J
(J&E)

NOTE: WUP may also be ordered by Tribunal u/s 61.

Miscellaneous Provision

66: Business transaction

→ Partners → may lend money } with UP
→ transact business }

(Extra: General knowledge - Directors in a co. cannot take money from co., generally).

70 Enhanced punishment

Second/subsequent offence
(Repeat within 3y).
— Jail = same
— Fine = Twice.

* Study basic difference b/w UP vs Fm/co.

↓
Pg 12.39 → SCAT module