CA FOUNDATION SAMPURNA

Sep/Jan 2026 Batch

Business Laws | Lecture - 1

The Limited Liability Partnership Act, 2008 - LLP

LLP

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RECAP of previous lecture

1. COMPLETED - IPA
2.
3.

TOPICS to be covered

1. MEANING AND CONCEPT — done = 1
2. ADVANTAGES OF LLP FORM — 2 done
3. IMPORTANT DEFINITIONS → 3 B.C. — done
4. SECTION 5 - PARTNERS = Tomorrow.

6 MARKS

The Limited Liability Partnership Act 2008

Company (+) Partnership

LLP

LLP ACT 2008.

LIMITED LIABILITY — (+) — PARTNERSHIP

→ Members liab — 100 × 10 = 1000

liab.

debt ← COMPANY

↘ debt.

Member

→ legal identity

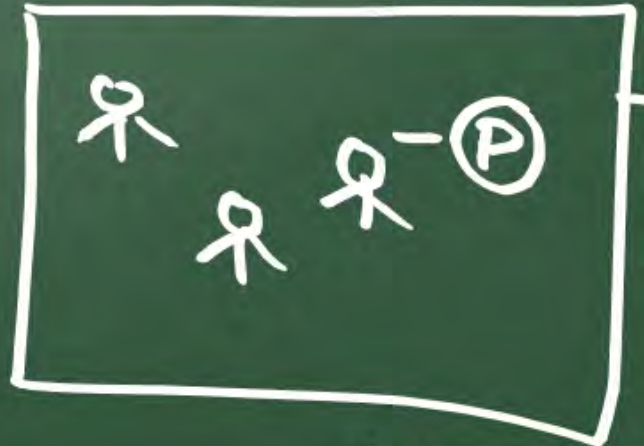
Flexibility

↓

Deed / agreement

↓

unlimited liab.



PF

दो जिस्म
एक जान.

Incorporate

Limited ← Company → Separate legal Entity ? → YES

Unlimited Liab – Partnership → SLE ? Register. → NO

LIMITED ← LLP → SLE ? → YES.

Incorporate

↓

HYBRID structure.

ROC — CO ↓ Members

RoF ↑ Partnership ↓ Partners

MCA. ROC ↑ LLP ↓ Partners ✓

LIMITED. ← LLP → SLE ? → YES.

Incorporate

HYBRID structure.

ALP — CO

Compliances

↓

Members

↓

LL

↓

SLE

↓

PS

Flexibility

Partnership

(+)

↓

Partners

Agreement

↓ Compliances

create/dissolve

LLP = ALP.

↓

Partners

LLP agree.

LL + PS + SLE

LLP

- Introduction
- Essential features
- Characteristics of LLP
- Incorporation
- Difference with other forms of organizations

INTRODUCTION

- The Ministry of Law and Justice on
- 9th January 2009 (misprinted in the module as 2007) notified
- The Limited Liability Partnership Act, 2008

- 2008 - Bill was passed by the Parliament on 12th December 2008 and

- 2009 - The President of India has assented to the Bill on 7th January 2009

- 2021 - Amended- The LLP (Amendment) Act, 2021 (31st August 2021)

The LLP Act, 2008 has 81 sections and 4 schedules.

- The First Schedule
  - Mutual rights and duties of partners and
  - Between limited liability partnership and its partners where there is absence of formal agreement with respect to them.
- The Second Schedule - Conversion of a Firm into LLP.
- The Third Schedule - Private Co. into LLP.
- The Fourth Schedule - Unlisted public Co. into LLP.

ABOUT THE ACT :- JFK.

→ Bill was passed by the parliament - 12/12/08

→ Notified as on Act 09/01/2009.

81 sections
4 schedules

LLP Act has 4 schedules :- **IMPORTANT** :-

FIRST → Mutual rights/duties b/w the partners and LLP, in case the agreement is silent.

SECOND - Conversion of PF → LLP ⇒ YES

THIRD - Conversion of PVT CO. → LLP ⇒ YES

FOURTH - Conversion of Unlisted Pub. Co → LLP ⇒ YES

Listed Co.
⇓
LLP
NO.

$\boxed{\text{Schedule 1}}$ = Mutual Right / Liab.

- P ⟵ ⟶ P ⟹ $\boxed{\text{Geeta जी [Deed]}}$
- Deed / Agreement = $\boxed{\text{Silent}}$

  ⟶ $\boxed{\text{Sch I}}$ of LLP Act, 2008

Similarity

★ IPA = SEC. 11 ⟶ Partners = R/D

⟶ Deed (1)

⟶ IPA, 1932. (2) silent

Schedule

2 → PF → LLP YES

3 conversion → PVT CO. → LLP. YES.

2 - 200.

4 → Public

Public → Unlisted → YES

Public → Listed Co. → X SEBI

Listed Co. → Unlisted

Sch 4 → ✓

Question

Which of the following cannot be converted into LLP?

(a) Partnership firm
(b) Private company
(c) Listed company
(d) unlisted company

Which one of the following statements about limited liability partnerships (LLPs) is incorrect?

(a) An LLP has a legal personality separate from that of its members.
(b) The liability of each partner in an LLP is limited.
(c) Members of an LLP are taxed as partners.
(d) A listed company can convert to an LLP.

Administration of the Act – LLP.

The Ministry of Corporate Affairs (MCA)
+
The Registrar of Companies (ROC)

CG - Framing of the rules, amendments in OG

The Companies Act, 2013 --> Registrar of Companies
The Indian Partnership Act, 1932 --> Registrar of Firms
The Limited Liability Partnership Act, 2008 --> Registrar of Companies

ROC.

? is $\boxed{\text{The IPA, 1932}}$ applicable to ?

$\boxed{\text{LLP}}$

LLP Act, 2008.

$\boxed{\text{SEC. 4}}$. ⇒ IPA ≠ LLP

It is also to be noted that –

The Indian Partnership Act, 1932 is not applicable to LLPs.

Non-applicability of the Indian Partnership Act, 1932 **(Section 4)**

The provisions of the Indian Partnership Act, 1932 shall not apply to an LLP.

Question

Whether partnership law applies to the LLP-

(a) Yes
(b) No

Need of new form of Limited Liability Partnership

- A need has been felt for a new corporate form that would provide -
  - an alternative to the traditional partnership with unlimited personal liability on the one hand and
  - the statute-based governance structure of the limited liability company on the other hand.

- Owing to flexibility in its structure and operation -
- The LLP is a suitable vehicle for small enterprises and for investment by venture capital.

MEANING AND CONCEPT

- A LLP is a new form of legal business entity
- with limited liability.
- It is an alternative corporate business vehicle that not only
- gives the benefits of limited liability at low compliance cost but
- allows its partners the flexibility of organizing their internal structure as a traditional

MEANING AND CONCEPT

- The LLP is a separate legal entity and,
- while the LLP itself will be liable for the full extent of its assets,
- the liability of the partners will be limited.

- It gives benefits of limited liability of a company and the flexibility of a partnership.

- Since LLP contains elements of both 'a corporate structure' as well as 'a partnership firm structure' LLP is called a hybrid between a company and a partnership.

What is Limited liability Partnership ? (LLP) ⇒

LLP is a new form of organisation or legal business which is an alternate corporate vehicle. It is a hybrid form of business which means it has limited liability feature of a company and flexibility of a partnership firm.

What are the advantages of forming an LLP ?

(1) It is created out of agreement which is called LLP agreement.

★ ★ ★ Meaning ↑↓ Sheet 1/2

(2) It involves less compliances & legal procedures hence it is flexible.

(3) It is easy to form and easy to dissolve.

(4) It's partners enjoy limited liability.

(5) It has flexible Capital structure.

★ This Act is administered by MCA & RoC.

IPA, 1932 apply ? to LLP ? = Section 4 of LLP Act

NO, it does not apply.

Question

Homework.

Examine the concept of LLP.

(Study module)

Answer Meaning / def^n = ★. = Advantages = 5/6 points.

CA

Meaning- A LLP is a new form of legal business entity with limited liability. It is an alternative corporate business vehicle that gives the benefits of limited liability but allows its partners the flexibility of organising their internal structure as a traditional partnership. The LLP is a separate legal entity and, while the LLP itself will be liable for the full extent of its assets, the liability of the partners will be limited.

Concept of "limited liability partnership"

- The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name.
- The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP.

Answer

- Further, no partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct.
- Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be. The LLP, however, is not relieved of the liability for its other obligations as a separate entity.
- LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.

Since LLP contains elements of both 'a corporate structure' as well as 'a partnership firm structure LLP is called a hybrid between a company and a partnership.

New form ---> Alternative Corporate business Vehicle --->
LLP is a HYBRID system

Benefit of Company	Benefits of Partnership Firm
→ Body Corporate B.C.	→ Flexibility ✓
→ Limited Liability LL	→ Agreement ✓
→ Perpetual Succession PS	→ Easy to create ✓
→ Separate Legal Entity SLE	→ Easy to dissolve ✓
→ Artificial Legal person ALP	→ Compliances are less Documentation.

LLP has taken advantages of both the form of organisation

ADVANTAGES OF LLP FORM

LLP form is a form of business model which:

- is organized and operates on the basis of an agreement
- provides flexibility without imposing detailed legal and procedural requirements. FLEXIBILITY = Deed
- Easy to form FORM / create
- All partners enjoy limited liability LL ✓
- Flexible capital structure
- Easy to dissolve Dissolve

Next Topic

FEW IMPORTANT DEFINITIONS

① Body Corporate.

Indian
+
Foreign

↓

Single term.

Body
Corporate.

Company → does not include

REG

2 (20)

↓

Co. = TCA 2013
or
PREV Co. law

FOREIGN Co.

India
INC
X

But

POB
India

Body corporate :- 2(1)(d) :-

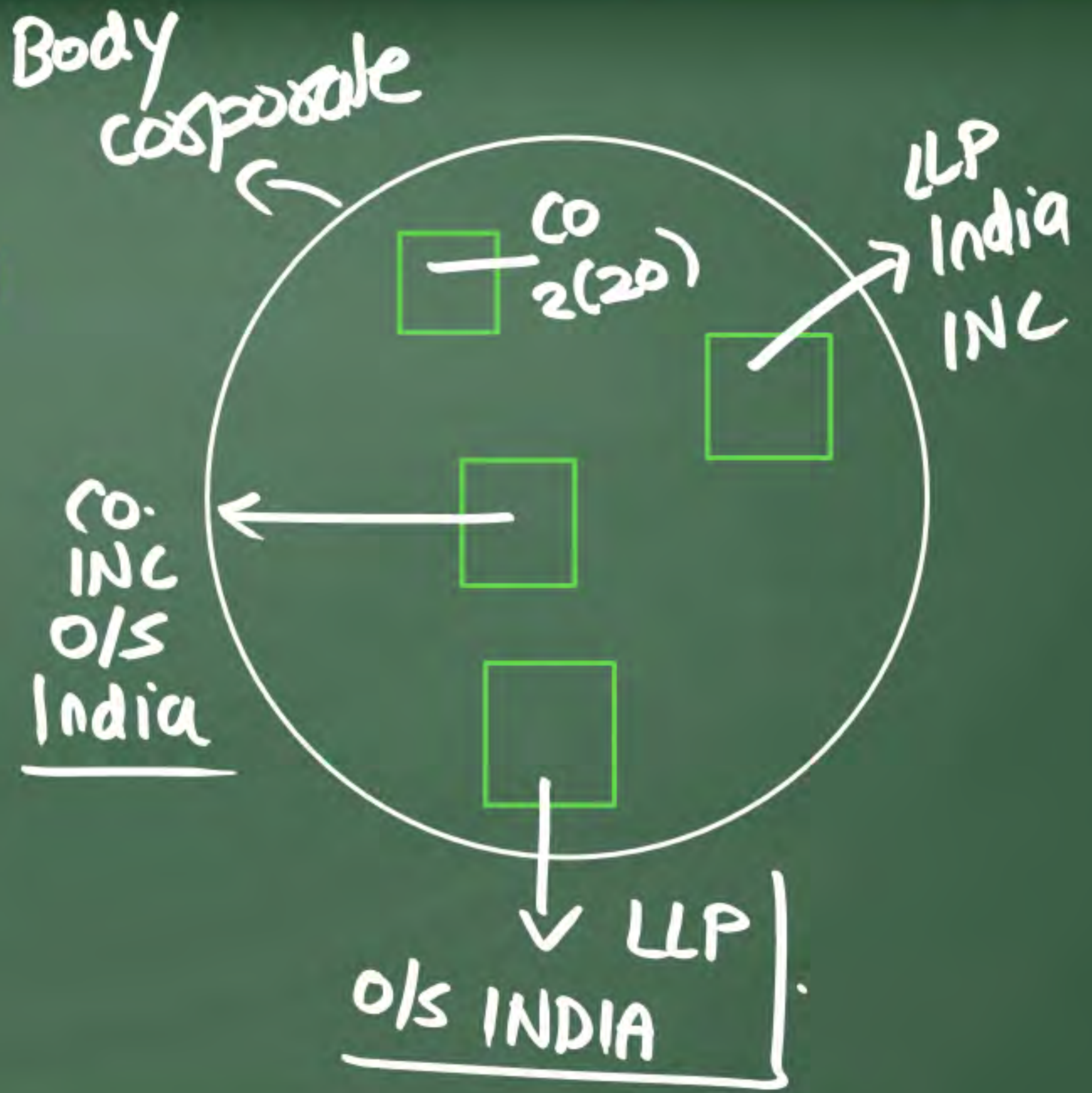
It includes →

(1) Co. 2(20) = REG India — Indian Co.

(2) Co. Inc. O/S India = Foreign Co.

(3) LLP Inc India = Indian LLP

(4) LLP Inc O/S India = For. LLP



It does not include →

(1) Corporation Sole. ✗

(2) Co-op. Society ✗

(3) CG = notify ✗.

Co.		LLP	
INC	INC	INC	INC
In	O/S	In	O/S
1	2	3	4

Important defn :- Body Corporate, Small LLP, Foreign LLP, Financial year.

★ BODY CORPORATE

★

★

CO.		LLP	
INC	INC	INC	INC
✓	X	✓	X
1	2	3	4

Does not include :-

Corporation sole — अकेला
Co-operative society
CG = notify = OG.

Foreign LLP :- is an LLP

① INC o/s India but
② PoB in India

Small LLP :- Important ★

Satisfy both the conditions :-

① Contribution → 25,00,000
and and.
② Turnover → 40,00,000 ↓

Immediately Preceeding FY.

SAS = Stat. of Acc. and Solvency.

BODY CORPORATE

1. **Body Corporate Section 2(1)(d) - ★**

A BODY CORPORATE CAN BECOME A PARTNER IN LLP. SO WE NEEED TO UNDERSTAND WHAT IS A BODY CORPORATE ?

It means a company as defined in section 3 of the Act and includes -

a. a LLP registered under this Act;
b. a LLP incorporated outside India; and
c. a company incorporated outside India,

but does not include

a. a corporation sole;
b. a co-operative society registered under any law for the time being in force; and
c. any other body corporate (not being a company as defined in section 3 of the Companies Act, 1956 or a limited liability partnership as defined in this Act), which the Central Government may, by noti- fication in the Official Gazette, specify in this behalf.

FOREIGN LLP –

Foreign LLP [section 2(1)(m)]: ★★

a. It means a LLP formed, incorporated or registered outside India

b. which establishes a place of business within India.

Formed / Incor. / Reg.	POB	Foreign LLP ?
In India	Within India	NO (Normal LLP)
Outside India	Within India	YES
Outside India	Outside India	NO
In India	Outside India	NO (Normal LLP)

SMALL LLP –

Small LLP [Section 2(1)(ta)]: ★★

It means a limited liability partnership (Satisfy both the conditions)

a. Contribution of which does not exceed 25 lacs rupees or Max. not exceeding 5 crores (CG has power to increase it till this figure) as may be described

AND

b. Turnover of which -
   i. as per the statement of Accounts and Solvency for the
   ii. immediately preceding financial year
   iii. does not exceed 40 Lacs rupees or max. 50 crores (CG has power to increase it till this figure) as may be described

OR

c. Which meets such other requirement as may be prescribed and fulfils such terms and conditions as may be prescribed

Question

Explain the Small Limited Liability Partnership under the LLP Act, 2008.

[MTP NOV 22][RTP June 2023]

Answer

Small Limited Liability Partnership [Section 2(ta) of the LLP Act, 2008]: It means a limited liability partnership—

(i) the contribution of which, does not exceed twenty-five lakh rupees or such higher amount, not exceeding five crore rupees, as may be prescribed; and

(ii) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed forty lakh rupees or such higher amount, not exceeding fifty crore rupees, as may be prescribed; or

(iii) which meets such other requirements as may be prescribed, and fulfils such terms and conditions as may be prescribed.

BUSINESS

Business" includes every trade, profession, service and occupation.
LLP can't be formed for CHARITABLE PURPOSE. ONLY PROFIT.

Financial Year [Section 2(1)(l)]:

The period from -

REGULAR Case - the 1st April to 31st March of the following year.

SPECIAL Case - LLP incorporated after the 30th September of a year - the financial year may end on 31st March of the year next following that year. ★

Example 1: If a LLP has been incorporated on 15th October, 2019, then its financial year may be from 15th October, 2019 to 31st March, 2021.

☆ Financial Year :-

☆ Regular	Special Case
☆ 01/04 — 31/03 of following Year	01/04 — 31/03 of Next following yr.
For LLPs जो INC हुई है ↓ 01/04 — 30/09	LLP Incorporate after 30/09 01/04 — 30/09 — 31/03

Example :-

From incorporated date

1. Regular Case :- LLP inc on 28/08/2019
   LLP = FY = → - 31/03/2020

2. Special Case :- LLP INC on 15/10/2019
   LLP = FY = → - 31/03/2021

2019			FY end
29/09	→ Before 30/09	- Regular	- 31/3/2020.
30/09	→ exact 30/09	- $\boxed{\text{Regular}}$	- 31/3/2020.
01/10	→ After. 30/09	- Special	- 31/3/2021.

Limited Liability Partnership (LLP) gives the benefits of limited liability of a company on one hand and the flexibility of a partnership on the other. Discuss.

(MTP Nov'22 5 Marks) (MTP Mar'22 5 Marks) (PYP 5 Marks, Jul'21)

Limited Liability partnership agreement Section 2(1)(o)

- It means any written agreement between the partners of the LLP or
- Between the LLP and its partners
- which determines the mutual rights and duties of the partners and
- their rights and duties in relation to that LLP

Next Topic

PARTNER

&

DESIGNATED PARTNER

Partners (Section 5)

Any individual or body corporate may be a partner in a LLP. However, an individual shall not be capable of becoming a partner of a LLP, if ★

- he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- he is an undischarged insolvent; or
- he has applied to be adjudicated as an insolvent and his application is pending.

SECTION 5 :- PARTNER :- $\boxed{\text{Min. 2 Partners as per Sec. 6}}$

Who can be a partner in an LLP ?

→ Any individual (Natural person) ⇒ Resident or Non-Res. Both.

→ Any Body Corporate [CO < INC IN / INC O/S] [LLP < INC IN / INC O/S]

But an Ind cannot become a partner who is –

(1) Unsound mind

(2) Insolvent = undischarged ↓ (liab. end ×)
(adjudicate) ✓

(3) applied to be adjudicated as Insolvent and my application is pending

$\boxed{\text{A PF cannot be a partner in an LLP as it is not a BC}}$

Question

Who are the individuals which shall not be capable of becoming a partner of a Limited Liability Partnership?

[MTP Jun 2024(3 Marks)]

Answer

Partners (Section 5 of Limited Liability Partnership Act, 2008): Any individual or body corporate may be a partner in a LLP.

However, an individual shall not be capable of becoming a partner of a LLP, if-

(a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;

(b) he is an undischarged insolvent; or

(c) he has applied to be adjudicated as an insolvent and his application is pending.

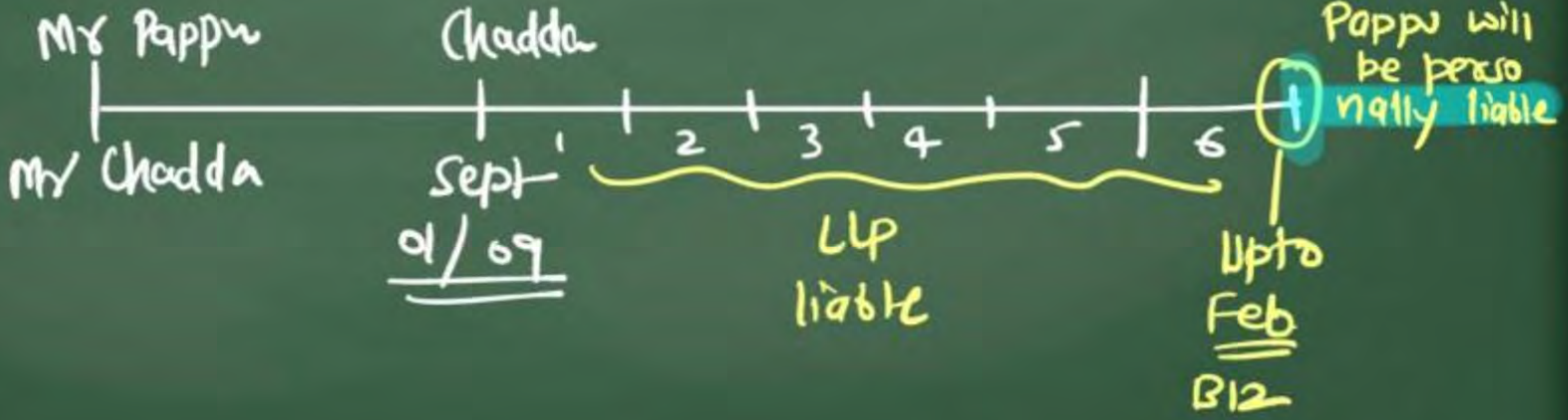
Minimum number of partners (Section 6)

1. Every LLP shall have at least two partners.
2. If at any time the number of partners of an LLP is reduced below two and
   - the LLP carries on business for more than six months while the number is so reduced ★
   - the person, who is the only partner of the LLP during the time that it so carries on business after those six months and
   - has the knowledge of the fact that it is carrying on business with him alone,
   - shall be liable personally for the obligations of the LLP incurred during that period.

☆ ☆ ☆ SECTION 6 = Min. no. of Partners = 2

Special case of Sec. 6 ⇒ If partners reduce below 2 then LLP can carry on Business till 6 months. But if single partner carries on the BIZ after 6 months also then he will be personally liable for the obligation of LLP.

⟹ example



Designated Partner

[Section 2(j)]

Designated partner means any partner designated as such pursuant to Sec. 7

Designated partners (Section 7)

1. Every LLP shall have at least two designated partners -
   - who are individuals and
   - at least one of them shall be a resident in India (ROI) ★

2. ★ If in LLP –

ALL THE PARTNERS ARE BODY CORPORATE

Or

In which one or more partners are individuals and bodies corporate (COMBINATION) -

At least two individuals who are partners of such LLP or nominees of such body corporate shall act as designated partners.

Resident in India:

A person w7ho has stayed in India for a period of not less than 120 days during the financial year.

Example 2:

There is an LLP by the name Indian Helicopters LLP having 5 partners namely -

Mr. A (Non-resident),

Mr. B (Non-Resident)

Ms. C (resident),

Ms. D (resident) and

Ms .E (resident).

In this case, at least 2 should be named as Designated Partner out of which 1 should be resident. Hence, if Mr. A and Mr. B are designated then it will not serve the purpose. One of the designated partners should be there out of Ms. C, Ms. D and Ms. E.

☆ SECTION 7 :- Designated Partner → DP

☆ - DP is a partner who is responsible for work related to Compliances of LLP.

☆ - Every LLP must have $\boxed{\text{2 DP}}$ minimum

Who can be a DP in an LLP ?

→ (1) Who are Individuals (Natural person) and

(2) Out of 2 (one) partner shall be Resident of India (RoI means 120 days in the preceeding FY) ☆.

If all partner are BC (case 2)
If one or more partners are BC (case 3) } Any representative or Nominee from BC.

$\boxed{\text{authorised person from BC = DP}}$

Example :- For Designated Partner ⇒ ☆☆☆ IMP Sheet for Concept

	P1	P2	P3	
CJ LLP →	Mr	Mr	Mr	Always check ROI
① CASE 1 -	CJ	DJ	PJ	= All individuals
② CASE 2 -	C & CO	D & CO	P & CO	= All Body Corporates
③ CASE 3 -	Mr. CJ Individual	D & Co.	P & CO	= Combination

BASIS	Partners	Designated Partners
MIN	2 (Less than 2 for 6 months allowed) not after that – LLP Personally liable	2
MAX	No limit	No limit
WHO ?	Individual (Any one – R/NR) & BC (LLP/Co. Foreign LLP, FC)	Only Individual (At least 1 – Resident - 120 days) If All BC then nominee / representative
WHAT ?	Business	Compliances

Question

What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP?

(Study module)

Question

What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP?

[MTP Jun 2022(5 Marks)]

Answer

Designated Partner [Section 2(j)]: "Designated partner" means any partner designated as such pursuant to section 7.

According to section 7 of the LLP Act, 2008:

(i) Every LLP shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

(ii) If in LLP, all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

(iii) Resident in India: For the purposes of this section, the term "resident in India" means a person who has stayed in India for a period of not less than 120 days during the financial year.

Next Topic

CHARACTERISTICS

OF LLP

CHARACTERISTIC OF LLP

I TOP CLASS

Body Corporate	Perpetual Succession	Separate legal entity	Mutual Agency
LLP Agreement	Artificial Legal person	Common Seal	Limited liability
Management of business	Minimum and maximum number of partners	Business for profit only	Investigation
Compromise or Arrangement	Conversion into LLP	E-filing of documents	Foreign LLPs

Tomorrow

1. LLP is a body corporate

- Section 3 of LLP Act provides that an LLP is a body corporate formed and incorporated under this Act and
- is a legal entity separate from that of its partners.

2. Perpetual Succession

- The LLP can continue its existence irrespective of changes in partners.
- Death, insanity, retirement or insolvency of partners has no impact on the existence of LLP.
- It can enter contracts and holding property in its own name.

3. Separate Legal Entity

- The LLP is a separate legal entity and is liable to the full extent of its assets but
- liability of the partners is limited to their agreed contribution in the LLP.
- In other words, creditors of LLP shall be the creditors of LLP alone.

4. Mutual Agency: ★★

- No partner is liable on account of the independent or unauthorized actions of other partners,
- Thus, individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct.
- In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

5. LLP Agreement

- Mutual rights and duties of the partners within an LLP are governed by an agreement between the partners.
- The LLP Act, 2008 provides flexibility to partner to devise the agreement as per their choice.
- In the absence of any such agreement, the mutual rights and duties shall be governed by the provisions of the LLP Act, 2008

6. Artificial Legal Person

- An LLP is an artificial legal person because it is created by a legal process and is clothed with all rights of an individual.
- It can do everything which any natural person can do,
- except of course that, it cannot be sent to jail, cannot take an oath, cannot marry or get divorce
- nor can it practice a learned profession like CA or Medicine.
- An LLP is invisible, intangible, immortal (it can be dissolved by law alone) but not fictitious because it really exists.

7. Common Seal

- An LLP being an artificial person can act through its partners and designated partners.

- LLP may have a common seal, if it decides to have one [Section 14(c)]

- Thus, it is not mandatory for an LLP to have a common seal.

- It shall remain under the custody of some responsible official and it shall be affixed in the presence of at least 2 DPs of the LLP.

8. Limited Liability

- Every partner of a LLP is, for the purpose of the business of LLP
- The agent of the LLP,
- But not of other partners
- **(Section 26)** ★
- The liability of the partners will be limited to their agreed contribution in the LLP.

Example 3:

The professionals like Engineering consultants, Legal Advisors and Accounting Professional are afraid of entering into business due to unlimited liability.

Hence the LLP partnership Act provides an avenue for these professionals to Limited Liability Partnership firms which restricts their liability to the agreed amount. This has encouraged Professionals to form LLP.

9. Management of Business

- The partners in the LLP are entitled to manage the business of LLP.

- But only the designated partners are responsible for legal compliances.

10. Minimum and Maximum number of Partners ★

- Every LLP shall have at least two partners and
- shall also have at least 2 individuals as designated partners,
- of whom at least one shall be resident in India.
- There is no maximum limit on the partners in LLP

11. Business for Profit Only: ★★

- The essential requirement for forming LLP is carrying on a lawful business
- with a view to earn profit.
- Thus, LLP cannot be formed for charitable or non-economic purpose.

12. Investigation

- The Central Government shall have powers to investigate the affairs of an LLP by appointment of competence authority for the purpose

13. Compromise or Arrangement

- Any compromise or arrangement including merger and amalgamation of LLPs shall be in accordance with the provisions of the LLP Act, 2008.

14. Conversion into LLP

- A firm
- private company or
- an unlisted public company

would be allowed to be converted into LLP in accordance with the provisions of LLP Act, 2008

15. E-Filing of Documents

- Every form or application of document required to be filed or delivered under the act and rules made thereunder,
- shall be filed in computer readable electronic form on
- its website www.mca.gov.in and
- authenticated by a partner or designated partner of LLP by the use of electronic or digital signature.

CHARACTERISTICS OF LLP :-

- Co. का Angle = P C L A S S
  - PS (1)
  - CS (2)
  - LL (3)
  - Arti (4)
  - SLE (5)
  - Property sue (6)
- Body corporate (7)
- PF Angle = LLP Agreement (8)
- other points
  - (9) = Min / max partners = 2 / No limit
  - (10) = Mgt of Business = DP (Compliance)
  - (11) = Business for PROFIT only.
  - (12) = Foreign LLP
  - (13) = Conversion into LLP
    - PF ✓
    - Pvt ✓
    - Unlisted Pub. ✓

	Co.	PF.	LLP
MIN/MAX members Partners	PVT 2 - 200 PUB 7 - No limit	MIN = 2 P MAX = SEC.464 50 P.	MIN 2 P But MAX - NO LIMIT.
Business PROFIT	PROFIT = ✓ NON PROFIT = SEC. 8.	Always for BIZ & intention of Acq. of PROFIT.	Always FOR PROFIT only.
Management	→ BOD. Day 2 day.	→ All partners.	Designated Partners DP.

Question

"LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain.

(Study module)

Question

“LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership”. Explain.

[RTP May 2022]

Answer

LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership

Limited Liability: Every partner of a LLP is, for the purpose of the business of LLP, the agent of the LLP, but not of other partners. The liability of the partners will be limited to their agreed contribution in the LLP, while the LLP itself will be liable for the full extent of its assets.

Flexibility of a partnership: The LLP allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form enables entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP is a suitable vehicle for small enterprises and for investment by venture capital.

Question

A LLP is a new form of legal business entity with limited liability. It's an alternative corporate business vehicle that only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organizing their internal structure as a traditional partnership. Keeping in view of above, define the following characteristics of LLP.

(i) Body Corporate
(ii) Mutual Agency
(iii) Foreign LLPs
(iv) Artificial legal person

[PYQ Jun 2024(6 Marks)]

Answer

Body corporate: Section 2(1)(d) of the LLP Act, 2008 provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners and shall have perpetual succession. Therefore, any change in the partners of a LLP shall not affect the existence, rights or liabilities of the LLP.

Section 3 of LLP Act, 2008, provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners.

Mutual Agency: No partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

Answer

Foreign LLPs: Section 2(1)(m) defines foreign limited liability partnership "as a limited liability partnership formed, incorporated, or registered outside India which established as place of business within India". Foreign LLP can become a partner in an Indian LLP.

Artificial Legal Person: A LLP is an artificial legal person because it is created by a legal process and is clothed with all rights of an individual. It can do everything which any natural person can do, except of course that, it cannot be sent to jail, cannot take an oath, cannot marry or get divorce nor can it practice a learned profession like CA or Medicine. A LLP is invisible, intangible, immortal (it can be dissolved by law alone) but not fictitious because it really exists.

2 Mins Summary

SEC. 4

done

Tomorrow

5 = Partner

6 = MIN P / DP

7 = DP

(+) Mutual Agency

THANK YOU