LIMITED LIABILITY PARTNERSHIP (LLP) INDIA

Published by
CompaniesInn.com India Private Limited
www.companiesinn.com

1. Concept of LLP

Limited Liability Partnerships (LLPs) are commercial vehicles which combine the features of partnership and company form of business .The concept of Limited Liability Partnership (LLP) has been introduced in India by way of Limited Liability Partnership Act, 2008 (notified on 31st March 2008).

A Limited Liability Partnership combines the advantages of both the Company and Partnership into a single form of organization. In an LLP one partner is not responsible or liable for another partner's misconduct or negligence. In an LLP, all partners have limited liability for each individual's protection within the partnership, similar to that of the shareholders of a limited company. However, unlike the company shareholders, the partners have the right to manage the business directly. An LLP also limits the personal liability of a partner for the errors, omissions, incompetence, or negligence of the LLP's employees or other agents.

2. LLP – A Separate Legal entity

LLP is a separate legal entity, liable to the full extent of its assets; the liability of the partners would be limited to their agreed contribution in the LLP. Further, no partner would be liable on account of the independent or un-authorized actions of other partners, thus allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.

3. Advantages and Disadvantages of LLP

Advantages

- Separate legal entity
- Easy to establish
- Flexibility without imposing detailed legal and procedural requirements
- Perpetual existence irrespective of changes in partners
- Internationally renowned form of business in comparison to Company
- No requirement of minimum capital contribution
- No restrictions as to maximum number of partners
- LLP & its partners are distinct from each other
- Partners are not liable for Act of other partners.
- Personal assets of the partners are not exposed except in case of fraud.

© CompaniesInn.com India Private Limited

- Easy to dissolve or wind-up
- Professionals like CS / CA / CWA / Lawyers can form Multi-disciplinary Professional LLP
- No requirement to maintain statutory records except Books of Accounts
- Less Cost of formation (Compared to a company)

Disadvantages

- LLP cannot raise funds from Public
- Any act of the partner without the other may bind the LLP.
- Under some cases, liability may extend to personal assets of partners.
- No separation of Management from owners

4. Partners / Designated Partners of LLP

An LLP should have minimum 2 partners. Every LLP should have minimum 2 designated partners who are individuals and at least one of them should be resident in India.

Partner of LLP can be consisted of

a) Companies incorporated in and outside India
b) LLP incorporated in and outside India
c) Individuals Resident in and outside India

Designated Partner of LLP shall be responsible for the doing of all acts and things that are required to be carried out by the LLP and is responsible for the compliance of the provisions and filing of document / returns/ statements of LLP Act and as may be specified in the LLP agreement

Designated Partner shall be liable to all penalties imposed on the LLP for any contravention of provisions of LLP Act.

5. Designated Partner Identification Number (DPIN)

A person or nominee of a body corporate, intending to be appointed as who is appointed as designated partner of LLP should hold a Designated Partner Identification Number (DPIN) allotted by the Ministry of Corporate Affairs.

IMPORTANT NOTE: Director Identification Number (DIN) allotted under the Companies Act and DPIN are not same. DIN holder has to make a separate application for DPIN with his/her DIN. On submission of documents for verification, the DPIN status will be confirmed.

© CompaniesInn.com India Private Limited

6. Management of LLP

Day to day operations of Limited Liability Partnership will be managed by Designated Partners, who are responsible for ensuring the compliances of all applicable laws.

Limited Liability Partnership is managed as per the LLP Agreement, however in the absence of such agreement the LLP would be governed by the framework provided in Schedule 1 of Limited Liability Partnership Act, 2008 which describe the matters relating to mutual rights and duties of partners of the LLP and of the limited liability partnership and its partners.

7. Capital Contribution to LLP

Unlike in the case of a company, there is no requirement for minimum capital contribution for a LLP. However, the registration cost for LLP is determined on the basis of amount of contribution.

8. FDI in LLP

The Government of India has not notified the policy for Foreign Direct Investment in LLP.

9. Reservation of Name by a LLP registered out side India

A foreign LLP or a foreign company can reserve its existing name by which it is registered in the country of its incorporation by making an application to Ministry of Corporate Affairs. The reservation will be valid initially for three years and is renewable thereafter.

10. Branch office of Foreign LLP

A LLP registered outside India can establish an office in India and has to comply wit the provisions of LLP Act 2008.

© CompaniesInn.com India Private Limited

LLP FORMATION

Pre-requisites for registering a LLP

1. Minimum 2 Partners (Individual or body corporate)
2. Minimum 2 Designated Partners who are individuals and at least one of them should be resident in India.
3. Digital Signature Certificate
4. LLP Name
5. LLP Agreement
6. Registered Office

Partners of LLP

An LLP should have minimum 2 partners. In case any Body Corporate is a partner, then it will be required to nominate any person (natural) as its nominee for the purpose of the LLP.

Partner of LLP can be consisted of

- Companies incorporated in and outside India
- LLP incorporated in and outside India
- Individuals Resident in and outside India

Designated Partner

Every LLP should have minimum 2 designated partners who are individuals and at least one of them should be resident in India.

A person or nominee of a body corporate, intending to be appointed as who is appointed as designated partner of LLP should hold a Designated Partner Identification Number (DPIN) allotted by the Ministry of Corporate Affairs.

DPIN can be obtained by submitting application along with address proof and identity proof of the individuals.

Digital Signature Certificate

All forms for registration of LLP shall be filed online after signing digitally and for this purpose, one of the designated partners shall take digital signature certificate.

© CompaniesInn.com India Private Limited

LLP Name

Selection of business name is crucial for the image of your venture. You select a name which reflects the business you plan. Ensure selected name satisfy LLP Name Guidelines of Ministry of Corporate Affairs.

LLP Agreement

Like partnership, partners of LLP can frame agreement for defining their terms, profit sharing ratio etc. The basic contents of Agreement are, Name of LLP, Name of Partners and Designated Partners, and Form of contribution, Profit Sharing ratio and Rights and Duties of Partners.

In case no agreement is entered into, the rights & duties as prescribed under Schedule I to the LLP Act shall be applicable. It is possible to amend the LLP Agreement but every change made in the said agreement must be intimated to the Registrar of Companies.

Registered Office

The Registered office of the LLP is the place where all correspondence related with the LLP would take place, though the LLP can also prescribe any other for the same. . A registered office is required for following purposes. At the time of incorporation, it is necessary to submit proof of ownership or right to use the office as its registered office with the Registrar of Companies.

PROCEDURE FOR REGISTRATION OF LLP INDIA

Stage I - Partners	**Stage II - DPIN & DSC**
Stage III - Name filing	**Stage IV - Agreement**
Stage V - Filing of Incorporation documents	

Stage I – Partners

To form a LLP, there Minimum two partners and at least two shall be designated partners having DIPN. In case of body corporate as partners, their nominee can be act as designated partners. Out of two designated partners, one must be resident in India. (Who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding financial year)

Stage II - Obtaining DPIN & Digital Signature

DPIN can be obtained by making an application online with www.llp.gov.in After submitting the online application, signed physical copy of Form 7 has to be

© CompaniesInn.com India Private Limited

submitted to Ministry of Corporate Affairs along with certified copies of address proof and Identity proof of the applicant.

Digital Signature can be obtained from any of the Certifying Authorities in India.

Stage III - Name filing

After finalization of name, an application of name availability has to be filed in form 1 with www.llp.gov.in for approval. Please note that selection of name is subject to Guidelines issued by MCA.

Stage IV - Agreement

LLP agreement has to be drafted line with LLP Act. It is not mandatory to file LLP agreement at the time of registration and same can be file with in 30 days. If no agreement is framed, provisions of Schedule I of the LLP Act shall be applicable.

Stage V - Filing of Incorporation Documents

The following documents along with required attachments has to be filed with www.llp.gov.in

Form 2 : Details of partners, registered office etc

Subscription Sheet: All partners are required to subscribe their names along with signatures to the subscription sheet, which shall be witnessed by any chartered Accountant/Company Secretary/Advocate in practice.

Form 4: Consent of Partners - Consent of each partner to become a partner of Liability Partnership

Form 3: LLP agreement – this can be filed with in 30 days from the date of registration

Above said documents are required to be filed after signing digitally. After verification, registrar will register all documents and issue Certificate of Incorporation.

CompaniesInn.com India Private Limited
463, 10th Main | 13th Cross | Wilson Garden | Bangalore—560 027 | INDIA
Tel : +91 80 4219 4109
Mobile : +91 96633 29656
E-Mail : info@companiesinn.com
Web : www.companiesinn.com

© CompaniesInn.com India Private Limited