What is LLP?

It means Limited Liability Partnership. This worldwide recognized form of business organization has now been introduced in India by way of Limited Liability Partnership Act, 2008 on 1st April 2009.

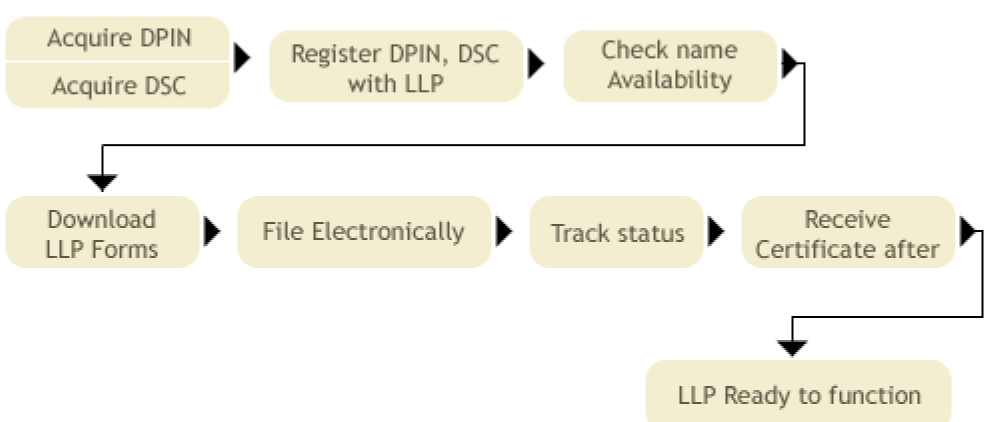
Advantages

- Renowned and accepted form of business worldwide in comparison to Company.
- Low cost of Formation.
- Easy to establish.
- Easy to manage & run.
- No requirement of any 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 partners.
- Less Compliance level.
- No exposure to personal assets of the partners except in case of fraud.
- Less requirement as to maintenance of statutory records.
- Less Government Intervention.
- Easy to dissolve or wind-up.
- Professionals can form Multi-disciplinary Professional LLP, which was not allowed earlier.
- No requirement as to Minimum Alternate Tax.
- Audit requirement only in case of contributions exceeding Rs. 25 lakh or turnover exceeding Rs. 60 lakh.
- No stamp duty on conversion.
- No Capital gain Tax on conversion.
- Carry forward & set off of losses and unabsorbed depreciation is possible.

Disadvantages

- Any act of the partner without the other partner, may bind the LLP.
- Under some cases, liability may extend to personal assets of partners.
- Cannot raise money from Public.
- Cannot be formed for charitable purpose.

Process to form an LLP



Conversion of a Pvt. Limited Company Into LLP

Why should you convert to LLP?

Limited Liability concept combines the **organizational flexibility of a partnership firm coupled with the advantage of limited liability for its partners**. The key features of the LLP such as a separate legal entity with unlimited number of partners, no partner being liable on account of the independent or unauthorized actions of other partner(s), liability of partners being limited to the respective stake of each partner in the LLP, are a distinct advantage over other form of organization.

Another major reason for conversion of a company into an LLP is on the tax front. Currently, the Income-tax Act, 1961, provides for payment of minimum alternate tax (MAT) as also for payment of corporate dividend distribution tax (CDT) by companies. An LLP, which is not a company, is **not liable to pay MAT or CDT,** considering the legislative intent.

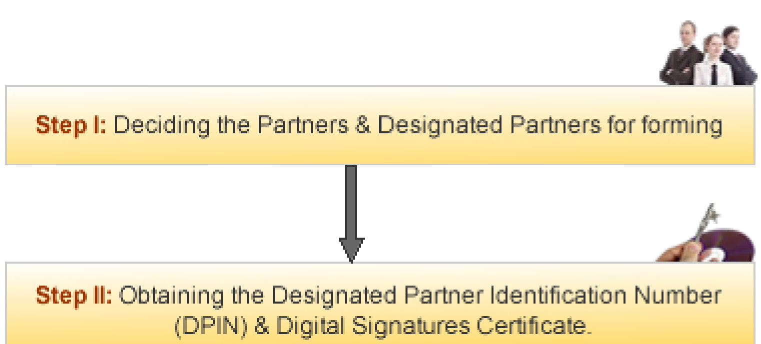
Major advantages as compared to Company

- No need of converting into Public Company to have members more than 50 ,a s there is no limit on maximum number of partners
- Minimal Government Intervention
- Minimal cost of conversion
- Less Compliance level
- No requirement of holding any meeting
- No requirement of maintenance of Large statutory records
- Limited Liability as in case of Companies
- No need to pay large fees for increasing the contribution , as required in case of capital

Status on conversion.

It is essential to note that on conversion, all the members of the Company shall become the partners of the LLP. It is provided that no other person would become partner on conversion into an LLP for the simple reason that on conversion, it should be a mirror image. On conversion, all the tangible (movable and immovable) property and the intangible property, all assets, interest, rights, privileges, liabilities, obligations of the Company shall stand transferred to, and vest in, the LLP. Also, the Company so converted into an LLP shall cease to exist upon conversion.

Conversion of Private into Limited Liability Partnership flow chart



Step-1

1. Minimum of Two Individuals as Designated Partners, of total no. of Partners.
2. At least One Designated Partner to be Resident Indian.

Step-2

1. Apply to CG in eform-7.

Step-3

1. Apply in eform-1.

Step-4

1. Drafting of Limited Liability Partnership Agreement governing the mutual rights and duties among the partners and among the LLP and its partners, as like MOA & AOA.

Step-5

1. This can be done on **www.llp.gov.in**.

Step-6

1. E-file the conversion application in prescribed form(18).

Step-7

1. Get the incorporation certificate.

Any comments and suggestions will always be appreciable.

Thanks N regards

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