

NATURE OF LIMITED LIABILITY PARTNERSHIP (LLP)

1. Concept of limited liability partnership

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

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 partners 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.

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.

2. Structure of an LLP

LLP shall be a **body corporate** and a **legal entity** separate from its partners. It will have **perpetual succession**.

3. Advantages of LLP form

LLP form is a form of business model which:

- (i) is organized and **operates on the basis of an agreement.**
- (ii) provides **flexibility without imposing detailed legal and procedural requirements**
- (iii) enables professional/technical expertise and initiative to combine with financial risk taking capacity in an innovative and efficient manner

4. Other countries where this form is available

The LLP structure is available in countries like **United Kingdom, United States of America, various Gulf countries, Australia and Singapore.** On the advice of experts who have studied LLP legislations in various countries, the **LLP Act** is broadly **based on UK LLP Act 2000 and Singapore LLP Act 2005.** Both these Acts allow creation of LLPs in a body corporate form i.e. as a separate legal entity, separate from its partners/members.

5. Difference between LLP & traditional partnership firm

Under traditional partnership firm, every partner is liable, jointly with all the other partners and also severally for all acts of the firm done while he is a partner.

Under LLP structure, liability of the partner is limited to his agreed contribution. Further, no partner is liable on account of the independent or un-authorized acts of other partners, thus allowing individual partners to be shielded from joint liability created by another partners wrongful acts or misconduct.

6. Difference between LLP & a Company

A basic difference between an LLP and a joint stock company lies in that the internal governance structure of a company is regulated by statute (i.e. Companies Act, 1956) whereas for an LLP it would be by a contractual agreement between partners.

The management-ownership divide inherent in a company is not there in a limited liability partnership.

LLP will have more flexibility as compared to a company.

LLP will have lesser compliance requirements as compared to a company.

APPLICABILITY OF THE LLP Act

7. Whether the LLP Act is applicable to any specific services like professional services regulated by Statutes?

No. Any two or more persons associating for carrying on a lawful business **with a view to profit** may set up an LLP.

In the light of various inputs received by this Ministry for applicability of the LLP form to small entities and venture capital funded enterprises, it is proposed that the **framework should not be restricted to professional services alone as was earlier recommended by Naresh Chandra Committee**. Accordingly, the LLP Act does not restrict the benefit of LLP structure to certain classes of professionals only.

8. Likely users/beneficiaries of the LLP Law?

India has witnessed considerable growth in services sector and the quality of our professionals is acknowledged internationally. It is necessary that entrepreneurship knowledge and risk capital combine to provide a further impetus to our impressive economic growth. Equally the services sector promises an economic opportunity similar to that provided by information technology over the past few years. It is likely that in the years to come Indian professionals would be providing accountancy, legal and various other professional/technical services to a large number of entities across the globe. Such services would require multidisciplinary combinations that would offer a menu of solutions to international clients. In view of all this, the LLP framework could be used for many enterprises, such as:-

Persons providing services of any kind

Enterprises in new knowledge and technology based fields where the corporate form is not suited.

For professionals such as Chartered Accountants (CAs), Cost and Works Accountants (CWAs), Company Secretaries (css) and Advocates, etc.

Venture capital funds where risk capital combines with knowledge and expertise

Professionals and enterprises engaged in any scientific, technical or artistic discipline, for any activity relating to research production, design and provision of services.

Small Sector Enterprises (including Micro, Small and Medium Enterprises)

Producer Companies in Handloom, Handicrafts sector

9. Whether an entity which has objectives like charitable or other not for profit objectives would be able to set up under LLP Act?

No. The essential requirement for setting LLP is carrying on a lawful business **with a view to profit**.

10. Whether provisions of Indian Partnership Act, 1932 would be applicable to LLPs?

No, these shall not be applicable to LLPs.

11. Why a new legislation for LLP? Why not amendments in Companies Act or Partnership Act are made?

The Companies Act is not suited to the liability and governance structure intended for LLPs. The overall intent of the legislation to regulate widely-held companies is different. Therefore, in accordance with the recommendations of the Irani Committee, it is felt appropriate to bring about a separate legislation for LLPs. The administration and enforcement of partnership firms under the Indian Partnership Act, 1932 is at the **State level**. Besides, a partnership firm involves **full joint and several liability** of the partners. Because of this, many firms/enterprises engaged in biotech, information technology, Intellectual property and other knowledge based sectors find traditional

partnerships unsuitable. The traditional partnerships are also considered unsuitable for **multi-disciplinary combinations** comprising a **large number** of partners, seeking a flexible working environment but with limited liability. LLP structure would promote growth and enable such firms/enterprises expand their trade/business or services across States in India as also abroad.

12. Committees, which have made recommendations for legislation on LLPs in India

The desirability of LLP form has been expressed **in the context of small enterprises** by :-

Bhat Committee (1972);

Naik Committee (1992);

Expert Committee on Development of Small Sector Enterprises headed by Sh. Abid Hussain in 1997 and

Study Group on Development of Small Sector Enterprises (SSEs) headed by Dr. S P Gupta (2001).

Following **Committees set up by M/o Company Affairs** have also recommended for legislation on LLPs:-

Committee on Regulation of Private Companies and Partnerships headed by Sh. Naresh Chandra (2003)

The Committee on New Company Law (Dr. J.J. Irani Committee) (2005)

13. Whether Ministry has adopted a Consultative Approach while bringing out the LLP Act?

Yes. The Ministry of Corporate Affairs, on 2nd November, 2005, placed a **Concept Paper** on LLP Law on its website so that all interested stakeholders may express their opinions on the concepts involved and suggest formulations for the consideration of the Ministry on various aspects of LLP Law. The Concept Paper was also circulated to various concerned Ministries/Departments and autonomous bodies like Comptroller and Auditor

General of India (C&AG), Securities and Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA) etc. for their comments.

Large number of comments and suggestions were received by the Ministry on the Concept Paper. These were examined in light of international practice/law on the subject. The Act has been prepared keeping in view the Indian requirements.

PARTNERS AND DESIGNATED PARTNERS

14. What are the restrictions in respect of minimum and maximum number of partners in an LLP?

A **minimum of two** partners will be required for formation of an LLP. **There will not be any limit to the maximum number** of partners.

15. Whether a body corporate may be a partner of an LLP?

Yes.

16. What are the qualifications for becoming a partner?

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.

17. What are the requirements in respect of Designated Partners?

Appointment of **at least two** Designated Partners shall be mandatory for all LLPs. Designated Partners shall also be **accountable for regulatory and legal compliances**, besides their liability as partners, per-se.

18. Who can be a Designated Partner?

Every LLP shall be required to have atleast two Designated Partners who shall be **individuals** and **at least one of the Designated Partner shall be a resident of India**. In case of a LLP in which 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.

19. Should the number of designated partners resident in India not be more than partners from outside India?

LLPs, particularly those as may be engaged in the services or technology-based sectors, may provide services globally. This may require any number of its partners to locate them abroad. In view of liability structure of partners, designated partners and LLP, clearly provided for in the Act, there does not appear to be any necessity and justification for restriction relating to designated partners to out-number partners located abroad. In fact it may pose unnecessary restriction.

20. Whether there would be any requirement of identification number of Designated Partner? Whether Designated Partners would be subject to any other condition/requirement before they are appointed as such?

Every Designated Partner would be required to obtain a **Designated Partners Identification Number (DPIN)** on the lines similar to Directors Identification Number (DIN) required in case of directors of companies. Enabling provisions have been made to prescribe under rules conditions, which would have to be fulfilled by an individual who is eligible to be appointed as a designated-partner.

LLP AGREEMENT

21. How the mutual rights and duties of partners inter-se and those of partners and LLPs would be governed?

The mutual rights and duties of partners *inter se* and those of the LLP and its partners shall be governed by the agreement between partners or between the LLP and the partners. This Agreement would be known as **LLP Agreement**.

22. Whether LLP Agreement would be mandatory for all LLPs?

As per provisions of the LLP Act, in the absence of agreement as to any matter, the mutual rights and liabilities shall be as provided for under **Schedule I** to the Act. Therefore, in case any LLP proposes to exclude provisions/requirements of Schedule I to the Act, it would have to enter into an LLP Agreement, specifically excluding applicability of any or all paragraphs of Schedule I.

REGISTRATION

23. What are the registration formalities relating to LLPs?

LLPs shall be **registered with** the Registrar of Companies (**ROC**) (appointed under the Companies Act, 1956) after following the provisions specified in the LLP Act. Every LLP shall have a **registered office**. An **Incorporation Document** subscribed by at least two partners shall have to be filed with the Registrar in a prescribed form. **Contents of LLP Agreement**, as may be prescribed, shall also be required to be filed with Registrar, online.

Contents of LLP Agreement or any changes made therein, if any, may be filed in Form 3 and details of partners/designated partners may be filed in Form 4 in accordance with LLP Rules, 2009.

24. Whether foreigners can incorporate LLP?

Yes, the LLP Act 2008 allows Foreign Nationals including Foreign Companies & LLPs to incorporate a LLP in India provided at least one designated partner is resident of India. However, the LLP/Partners would have to comply with all relevant Foreign Exchange Laws/ Rules/ Regulations/ Guidelines.

25. What are the broad provisions of the Act in respect of names of LLPs?

Every limited liability partnership shall have either the words limited liability partnership or the acronym LLP as the last words of its name. LLPs would not be given names, which, in the opinion of the Central Government, are undesirable. Registrar would be under obligation to follow such rules, which would be framed by the Central Government in connection with allotting names to LLPs. There are also provisions in respect of **rectification of name** in case two LLPs have been registered with the same name, inadvertently.

26. for what period a name can be reserved by Registrar?

The name can be reserved by ROC on approval of Form 1, for a period of 3 months from the date of intimation by the Registrar. However, Foreign LLP/Companies have an option to reserve their existing names, under which they are operating outside India, for a period of 3 years in India, which can be further renewed on application to Registrar in Form 25.

27. Can LLP give any other address (besides its registered office) for the purpose of receiving communication from Registrar?

It has been provided in the Act that a document may be served on a LLP or a partner or designated partner by sending it by post or by any other mode (to be prescribed under Rules) at the registered office **and any other address specifically declared by the LLP** for the purpose in such form and manner as may be prescribed (in the rules). Thus, an LLP shall have option to declare one more address (other than the registered office) for getting statutory notices/letters etc. from Registrar.

CHANGE IN PARTNERS

28. How can a person become a partner of an LLP?

Persons, who subscribed to the Incorporation Document at the time of incorporation of LLP, shall be partners of LLP. Subsequent to incorporation, new partners can be admitted in the LLP as per conditions and requirements of LLP Agreement.

29. How can an existing partner cease to be a partner of an LLP?

A person may cease to be a partner in accordance with the **agreement** or in the absence of agreement, by giving **30 days notice** to the other partners.

A person shall also cease to be a partner of a limited liability partnership-

- (a) on his death or dissolution of the limited liability partnership; or
- (b) if he is declared to be of unsound mind by a competent court; or
- (c) if he has applied to be adjudged as an insolvent or declared as an insolvent.

Notice is required to be given to ROC when a person becomes or ceases to be partner or for any change in partners.

30. What will be the obligation of a partner in case he changes his name or address?

Every partner shall inform the LLP of any change in his name or address within a period of fifteen days of such change. The LLP, in turn, would be under obligation to file such details with the Registrar within thirty days of such change in Form 4.

PARTNERS CONTRIBUTION AND TRANSACTIONS OF PARTNERS WITH LLP

31. What is the manner in which a partner of an LLP can bring his contribution? How will it be recorded/disclosed in the accounts?

Partners contribution may consist of **both tangible and/or intangible property and any other benefit to the LLP**. The **monetary value** of contribution of each partner shall be accounted for and disclosed in the accounts of the limited liability partnership in the manner as may be prescribed in the rules.

32. Whether a partner would be able to give loan to or transact other commercial transactions with LLP? What will be his rights and obligations in this regard?

A partner may lend money to and transact other business with the LLP and shall have the same rights and obligations with respect to the loan or other transactions as a person who is not a partner.

33. Whether a partner would be able to transfer his economic rights?

A partners economic rights (i.e. rights of a partner to a share of the profits and losses of the LLP and to receive distribution at the time of winding up) in the LLP shall be transferable. However, such a transfer shall not by itself cause the partners disassociation or a dissolution and winding up of the LLP.

However, such transfer shall not entitle the transferee or assignee to participate in the management or conduct of the LLPs activities. Therefore, the transferee would not be deemed to be a partner of the LLP just because a partner has transferred him the economic rights. For becoming a partner of LLP, the manner specified in the LLP Agreement or the provisions of the Act would have to be followed.

LIABILITY OF PARTNERS

34. Nature & extent of liability of a partner of an LLP?

Every partner of an LLP would be, for the purpose of the business of the LLP, an agent of the LLP but not of the other partners. Liability of partners shall be limited except in case of unauthorized acts, fraud and negligence. But a partner shall not be personally liable for the wrongful acts or omission of any other partner. An obligation of the limited liability partnership whether arising in contract or otherwise, is solely the obligation of the limited liability partnership. The liabilities of LLP shall be met out of the property of the LLP.

35. what is the liability of a Partner upon reduction of minimum number of members in an LLP?

The Act provides for the minimum of two partners to carry on LLP. If at any time the number of partners of a limited liability partnership is reduced below two and the limited liability partnership carries on business for more than six months while the number is so reduced, the person, who is the only partner of the limited liability partnership 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 limited liability partnership incurred during that period.

36. Whether a partner by holding out will be liable under the Act?

The Act provides that any person (not being a partner in any LLP), who by words spoken or written or by conduct, represents himself, or knowingly permits himself to be represented to be a partner in a LLP (known as partner by Holding out) is **liable to any person** who has on the faith of any such representation given credit to the LLP, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit.

It has further been provided that where any credit is received by the LLP as a result of such representation, the LLP shall, **without prejudice to the liability of the person** so representing himself or represented to be a partner, be liable to the extent of credit received by it or any financial benefit derived thereon.

The provisions have also been made in the Act to provide that where after a partner's death the business is continued in the same LLP name, the continued use of that name or of the deceased partner's name as a part thereof shall not of itself make his legal representative or his estate liable for any act of the LLP done after his death.

37. How penal action on errant partners who are not residents of India will be taken?

For statutory compliances provisions of at least one resident designated partner (DP) in every LLP is would ensure that at least one partner is available in India for at least six months for regulatory compliance requirements. The LLPs would have freedom to appoint more than one resident as DP. LLP as an entity would always remain liable for regulatory or other compliances. Civil liability on such a partner would be adjudicated by the courts under civil law which recognises foreign awards. Criminal liability would require adjudication/ enforcement by the courts including using the extradition process. Position would be similar to the cases of directors of companies who are foreign nationals.

DISCLOSURE, AUDIT AND FILING REQUIREMENTS

38. Whether every LLP would be required to maintain and file accounts?

An LLP shall be under obligation to maintain annual accounts reflecting true and fair view of its state of affairs. A Statement of Accounts and Solvency in prescribed form shall be filed by every LLP with the Registrar every year.

39. Whether audit of all LLPs would be mandatory?

The accounts of every LLP shall be audited in accordance with Rule 24 of LLP, Rules 2009.

Such rules, inter-alia, provides that any LLP, whose turnover does not exceed, in any financial year, forty lakh rupees, or whose contribution does not exceed twenty five lakh rupees, is not required to get its accounts audited. However, if the partners of such limited liability partnership decide to get the accounts of such LLP audited, the accounts shall be audited only in accordance with such rule.

40. Whether any provisions in respect of mandatory insurance are being proposed in the Act?

No mandatory insurance has been proposed in the Act. It would be **difficult to assess** insurance requirements of different types and sizes of LLPs. This would depend upon the nature of commercial risk attached with work or assignment handled by each. Applying common insurance requirements across a class of LLPs would result in **increasing their costs of operation**. Therefore, the underlying concern as to the credit worthiness of the LLP in the event of a contractual default is being addressed through statutory provisions for **solvency declaration, disclosure of financial information and audit**.

41. Whether any Annual Return would be required to be filed by an LLP?

Every LLP would be required to file annual return in Form 11 with ROC within 60 days of closer of financial year. The annual return will be available for public inspection on payment of prescribed fees to Registrar.

42. Whether the Registrar would have any power to call for information from LLPs?

Registrar would have power to obtain such information which he may consider necessary for the purposes of carrying out the provisions of the Act, from any designated partner, partner or employee of the LLP. He would also have power to summon any designated partner, partner or employee of any LLP before him for any such purpose, in case the information has not been furnished to him or in case the Registrar is not satisfied with the information furnished to him.

43. Which documents will be available for public inspection in the office of Registrar?

The following documents/information will be available for inspection by any person:-

Incorporation document,

Names of partners and changes, if any, made therein,

Statement of Account and Solvency

Annual Return

The fees for such inspection of an LLP is Rs. 50/- and fees for certified copy or extract of any document u/s 36 shall Rs. 5/- per page.

44. How would compliance management (i.e. ensuring that LLPs file their documents with Registrars timely and otherwise comply with other procedural requirements under the Act) be ensured in the Act?

The provisions of the Act require LLPs to file the documents like Statement of Account and Solvency (SAS) and Annual Return (AR) and notices in respect of changes among partners etc. within the time specifically indicated in relevant provisions. The Act contains provisions for allowing LLPs to file such documents after their due dates on payment of additional fees. It has been provided that in case LLPs file relevant documents after their due dates with additional fees upto 300 days, no action for prosecution will be taken against them. In case there is delay of 300 days or more, the LLPs will be required to pay normal filing fees, additional fee and shall also be liable to be prosecuted.

The Act also contains provisions for compounding of offences which are punishable with fine only.

INVESTIGATION OF AFFAIRS OF LLPS AND ROLE OF GOVERNMENT TO CHECK UNSCRUPULOUS LLPS ETC.

45. What are the measures, which can be taken against an LLP, which has engaged in fraudulent activities?

Central Govt may appoint inspectors to investigate the affairs of an LLP. The manner and procedure for conduct of investigation has been specified in the Act.

46. What will be the role of Government in regulation of LLPs? How will the Act be able to prevent fly-by-night promoters or LLPs vanishing after incorporation?

LLP structure is proposed to allow entrepreneurs and businessmen/servicemen to combine themselves with a view to run a business/service for profit in a more flexible manner than companies. The internal processes of LLPs shall be governed by the LLP Agreement. To protect interests of various stakeholders, following approach has been followed in the LLP Act:-

Mandatory incorporation of LLPs with registrar with suitable due diligence to be followed by promoters/professionals at the time of incorporation. Provisions for mandatory Designated Partners Identification Number (DPIN) to be obtained by every designated partner (similar to DIP for directors of companies) have been proposed in the Act.

MCA-21 e-Governance process will be used for incorporation purposes which will help to track any unscrupulous promoter/partner of an LLP.

Details of partners and any changes made therein shall be required to be filed with the registrar;

Filing of annual documents like (SAS and Annual Return) with the Registrars will be mandatory. Such documents will also be open for public inspection;

Audit of all LLPs (except small LLPs which may be exempted by way of notification by Central Govt) shall be mandatory;

Provisions have been proposed in the Act to empower Registrar to conduct scrutiny of documents filed with him and for calling of any other relevant information from LLP or its partners/officials and also for summoning of LLPs partners/officials in certain cases.

The Act also contains provisions for investigation of affairs of LLPs by competent inspectors to be appointed by Central Government, wherever circumstances so require.

TAXATION

47. What is the tax treatment being provided for LLPs?

Since the taxation related matters in India are provided under Tax Laws, the taxation of LLPs has not been provided in the LLP Act. The Finance Bill, 2009 has made provisions in this regard, pursuant to which the taxation scheme of LLPs has been proposed to be introduced in the Income Tax Act. The Finance Bill, 2009 has proposed following regarding taxation of LLPs:-

(a) LLPs to be taxed on the lines similar to general partnerships under Indian Partnership Act, 1932, i.e. taxation in the hands of the entity and exemption from tax in the hands of its partners.

(b) Consequent changes to be made in the Income-tax Act, 1961 like (i) the word partner to include within its meaning a partner of a limited liability partnership, (ii) the word firm to include within its meaning a limited liability partnership and (iii) the word partnership to include within its meaning a limited liability partnership

(c) The designated partner shall sign the income tax return of an LLP, or, where, for any unavoidable reason such designated partner is not able to sign the return or where there is no designated partner as such, any partner shall sign the return.

(d) In case of liquidation of an LLP, every partner will be jointly and severally liable for payment of tax unless he proves that non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part.

(e) As an LLP and a general partnership is being treated as equivalent (except for recovery purposes) in the Income-tax Act, the conversion from a general partnership firm to an LLP will have no tax implications if the rights and obligations of the partners remain the same after conversion and if there is no transfer of any asset or liability after conversion.

(f) If there is a violation of these conditions, the provisions of section 45 of Income-tax Act shall apply.

(g) These amendments are proposed to be made effective from the 1st day of April 2010 i.e. assessment year 2010-11.

CONVERSION OF OTHER ENTITIES INTO LLPs AND VICE VERSA

48. Whether other business entities like firm or company would be able to convert themselves into LLP?

Yes. The LLP Act contains enabling provisions pursuant to which a firm (set up under Indian Partnership Act, 1932) and private company or unlisted public company (incorporated under Companies Act) would be able to convert themselves into LLPs. Provisions of clause 58 and Schedule II to Schedule IV to the Act provide procedure in this regard.

49. Whether LLP would be able to convert itself into company under the Companies Act, 1956?

This would not be allowed under LLP Act. However, enabling provisions would be required to be made in the Companies Act for such conversion. Necessary action in this regard would be taken when Companies Act would be revised.

50. What is the treatment for stamp duty issues, both in terms of original incorporation and conversion from other business structures? Would there be any stamp duty exemption in case of conversion?

Since Stamp Duty is the subject reserved for the States, the LLP Act does not contain any provision for treatment of stamp duty issues. The stamp duty payable will depend upon the relevant Stamp Act prescribed by the State Government/Union Territory.

51. What are the requirements and consequence provided in the Act in respect of licences, permits, approvals etc obtained by a firm, private company or an unlisted public company, prior to its conversion into LLP?

It has been provided in the Act that on conversion of a firm/private company/unlisted public company into LLP, any approval, permit or licence issued to the firm/private company/unlisted company under any other Act shall, subject to the provisions of such other Act under which such approval, permit or licence was issued, be transferred in the name of converted entity viz LLP.

MERGER AND WINDING-UP OF LLPs

52. Whether two LLPs would be allowed to merge?

Provisions of section 60 to 62 of the Act provide for the manner in which compromises or arrangements including mergers and amalgamations involving LLPs shall be allowed.

53. What would be the provisions in respect of winding- up of LLPs?

It is proposed to provide the provisions and procedures required to be complied with when the affairs of an LLP are to be wound-up and dissolved, by enabling the Central Government to make rules under the LLP Act, 2008.

OFFENCES & PENALTIES AND JURISDICTION OF COURTS/TRIBUNAL

54. Broad provisions in respect of Offences and Penalties

Offences and penalties arising out of the non-compliance with the provisions of the Act have been **defined along with the substantive provisions themselves**. However, for defaults/ non-compliance on **procedural matters** such as time limits for filing requirements, penalties have been provided for application in a non-discretionary manner, through the levy of a **default fee** for every day for which the default continues. Such default fee would be payable at the rate of rupee one hundred per day after the expiry of the date of filing (as prescribed in relevant provision) upto a period of three hundred days. Charging of such default fees would, however, be without prejudice to any other action or liability under the Act, in case the filing is made beyond the expiry of three hundred days.

The offences can be punished either (i) through **payment of fine** or (ii) through payment of **fine as well as imprisonment** of the offender. The **Judicial Magistrate of the first class**, or, as the case may be, the **Metropolitan Magistrate** shall have jurisdiction to try offences under the LLP Act.

Though most of the offences in the Act provide for punishment by way of charging fine, **imprisonment has been provided for in respect of violations relating to**

(i) making by any person a **false statement** at the time of incorporation of LLP (ii) carrying on business of LLP with intent to **defraud** or for any fraudulent purposes and (iii) making, knowingly, false statements or omitting any material fact, in any return, documents etc under the Act. The offences which are punishable with fine only can be

compounded by the Central Government, by collecting a sum not exceeding the amount of maximum fine prescribed for the offence.

Further, for defaults/non-compliance on procedural matters such as time limits for filing requirements provisions have been made for charging default fees (on daily basis) in a non-discretionary manner.

55. Whether offences would be compounded under the LLP Act? Whether any protection to whistle-blowers is being proposed in the Act?

The Act contains provisions empowering Central Government to compound any offence punishable with fine only by collecting a sum not exceeding the amount of maximum fine prescribed for the offence.

Enabling provisions have also been made in the Act in respect of protection to Whistle Blowers.

MISCELLANEOUS PROVISIONS

56. What are the provisions being proposed in the Act for striking off defunct LLPs? Whether LLPs would be allowed a less stringent framework for closing of business?

The Act empowers Registrars to strike off names of LLPs which are not carrying on any business or operation. They will be under obligation to give an opportunity of being heard to LLP concerned. Details for manner of striking off would be prescribed through rules. Since LLPs would be governed by LLP Agreement it would be possible for LLPs to make suitable clauses in such Agreement prescribing time limits or duration of LLPs. In such cases, provisions for striking off names could be used.

Besides, the Act empowers Central Government to make rules in respect of winding up and dissolution of LLPs. It is proposed to prescribe a simple procedure for voluntary winding up of LLPs under such rules.

57. Whether electronic filing of documents with ROC would be allowed? How far MCA-21 e-Governance initiative will be extended and be useful for LLPs structure under the Act?

The LLP Act contains enabling provisions for use of electronic mode for filing of documents with Registrars. Details have been specified in the LLP Rules, 2009. Authentication of documents as per Information Technology Act, 2000 has also been recognized in the LLP Act.

At present , Office of Registrar for registration etc of LLPs has been set up at Delhi (3rd Floor, Paryavaran Bhavan, CGO Complex, New Delhi-3). The filing and inspection of documents with the Registrar pursuant to LLP Act, 2008/ LLP Rules, 2009 can be made through website www.llp.gov.in

58. Whether provisions of the Companies Act, 1956 would be applicable to LLPs?

Since LLP shall be in the form of a body corporate, it is proposed that to address various situations applicable to LLPs as such, the relevant provisions of the Companies Act, 1956 may be made applicable to LLPs at any time in the future by Notification by Central Government, with such changes or modifications as appropriate.

59. Whether, amendments will be required in the Regulatory Acts governing the various professional services so that these can be aligned with the objectives of the Act?

Yes. Amendments to various such Acts would be necessary which can be considered by concerned Ministries/Departments.

INTRODUCTION OF LLP BILL, 2006 IN THE PARLIAMENT AND EXAMINATION BY STANDING COMMITTEE AND SUBSEQUENT ACTION

60. When was the LLP Bill, 2006 was introduced? Whether the Bill was referred to Standing Committee? Has the Bill been revised?

The Limited Liability Partnership (LLP) Bill, 2006 was introduced in the Rajya Sabha on 15th December, 2006. The Bill was referred to the Lok Sabha Standing Committee on Finance, for examination. The Standing Committee consulted various chambers of commerce, professional institutes and other experts and also heard the M/o Corporate Affairs.

The said Committee presented/submitted its report to the Parliament on 27th November, 2007. Based on such report the Ministry of Corporate Affairs revised the LLP Bill and the revised LLP Bill, 2008 was introduced in the Rajya

Sabha on 21st October, 2008. This was passed by the Rajya Sabha on 24th October, 2008. The Bill was passed by Lok Sabha on 12th December, 2008. The President has given assent to this Bill on 7th January, 2009.

61. Whether all recommendations made by Standing committee have been accepted by the Government?

All the recommendations except one made by Honble Standing Committee have been accepted by the Government. The recommendation which has not been accepted related to proposing a restriction on number of LLPs in which a designated partner may become designated partner. During examination of this recommendation, it was felt that since under the Companies Act, 1956 there is no restriction on a person to be come directors in any number of private companies. Since proposed structure for LLPs would be similar to private companies, it was felt that putting a restriction relating to maximum number of LLPs in which a person may become designated partner may not be necessary.

62. Whether the ongoing financial crisis across the globe requires any change in thoughts regarding the LLP Act, 2008?

The ongoing financial crisis across the globe does not appear to have affected Indian economy. The Indian companies and other business entities, including those engaged in banking and financial business are not likely to have any major impact in view of financial crisis of US or Europe, thanks to the strict and conservative legal and regulatory systems working in India.

Since a more professional and mature approach is needed in any country to handle such kinds of crisis, the LLP Act, 2008, which would allow professionals from various fields to combine and work together in providing various services, would be even more useful.

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