

Incorporation of Limited Liability Partnership

Introduction

Limited Liability Partnership (LLP) is a separate legal entity which has the benefits of “**Limited Liability**”. It is governed and registered under the Limited Liability Partnership Act, 2008 and the rules made thereunder. Small and Medium Enterprises (SMEs) can function as LLP. LLP is suitable for service sector especially for the professionals like Company Secretaries, Chartered Accountants, Lawyers, Cost Accountants, etc.

Salient Features of LLP

- Seperate Legal Entity / Status;
- Limited Liability;
- Perpetual Succession;
- Can sue and can be sued;
- Minimum number of partners is two (individual or body corporate);
- No upper limit for maximum number of partners
- No requirement of minimum capital contribution
- Easy and low cost to form
- Easy dissolution or winding up
- No need to maintain other statutory records excpet Books of Accounts
- Less compliances as compared to any company

Following important points should be noted:

- ✓ All the Designated Partners of the proposed LLP should have a **Designated Partner Identification Number (DPIN)**. The Directors Identification Number (DIN) can be used instead of DPIN if the partner is already having a DIN.
- ✓ One of the designated partner should have a Digital Signature Certificate (DSC) if he/she does not have one.

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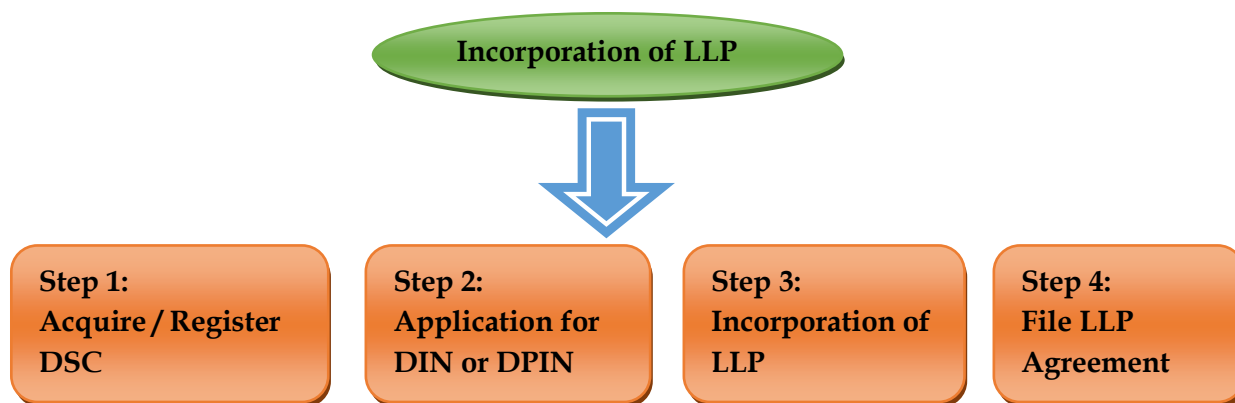
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- ✓ One of the Designated Partner of the proposed LLP should be a resident of India. In case of a LLP in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

Let us now discuss the procedure of Incorporation of LLP:

LLP can be incorporated in just **four** simple steps which are presented below:



Step 1: Acquire/ Register DSC

The proposed Designated Partner(s) should have **Digital Signature Certificate (DSC)**. The Information Technology Act, 2000 (IT Act) provides for use of DSC on the documents submitted in electronic form in order to ensure the security and authenticity of the documents filed electronically.

Acquire DSC -A licensed Certifying Authority (CA) issues the digital signature. Certifying Authority (CA) means a person who has been granted a license to issue a digital signature certificate under Section 24 of the IT Act.

Register DSC - The DSC once issued by the CA should be registered by Role check on MCA21 portal as only then the DSC can be used for online filings of LLP eforms.

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Step 2: Application for DIN or DPIN

The Designated partners of the proposed LLP are required to apply for DIN/DPIN in **Form DIR-3** by attaching prescribed documents. DIN/DPIN is an eight digit numeric number allotted by the Ministry of Corporate Affairs in order to identify a particular partner of the LLP.

Note: If the proposed designated partner already having DIN/DPIN need not follow apply for another DIN/DPIN.

Step 3: Incorporation of LLP

- **Application for reservation of name:** The application for the reservation of the name of the LLP is to be filed in **Form 1**.

Criteria for name approval - The registrar will approve the name provided the name is not either undesirable or that is identical with or that which too nearly resembles to the name of any existing partnership firm or a LLP or a body corporate or a trade mark registered or pending registration under the Trade Marks Act, 1999.

- **Filing of Incorporation Document and Subscribers' Statement** - Details of registered office, partners, etc has to be filed in **Form 2**. Following are the mandatory attachments:
 - Proof of Address of registered office of the proposed LLP
 - Subscribers' sheet alongwith the consent of the Designated Partners of the proposed LLP
 - Details of LLP(s) / Company(s) in which the Designated Partner is already a Director or Designated Partner, if any.

Step 4: Filing of LLP Agreement

LLP shall file its LLP Agreement filed in **Form 3** within **30 days** of its incorporation.

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Annual Compliances for LLP

LLP being a legal entity has to comply with certain annual compliances which are stated below:

Form	Particulars	Due dates
Form 8	Statement of Accounts & Solvency Divided into two parts • Part A: Statement of Solvency • Part B: Statement of Accounts/ Statement of Income and Expenditure Note: LLP whose annual turnover exceeds Rs. 40 lakhs or whose contribution exceeds Rs. 25 lakhs, shall get its accounts audited by a Chartered Accountant.	30 days from end of 6 months from the financial year i.e. 30 th October every year
Form 11	Annual Return	60 days from closure of financial year i.e. 30 th May every year
	Income Tax Return	• In case of requirement of Audit: 30th September • In case Audit not required: 31st July

Note:

- Filing of aforesaid returns is **mandatory** whether the LLP is doing business or not. In case of LLP not doing any business, it should file a **Nil return**;
- Penalties for non compliance of Annual Filings is **Rs. 100 per form per day**;

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Disclaimer: The article has been prepared in consideration of applicable provisions of the Companies Act, 2013 and the rules made thereunder. Readers are requested to verify the same before initiating any action in order to avoid any damages or penalties. The author is not responsible for any damages caused or penalties levied by any regulator.