



**LIVE COACHING CLASSES
BOARD OF STUDIES(A), ICAI**

**CA FOUNDATION
TOPIC NAME – LIMITED LIABILITY PARTNERSHIP, 2008
PAPER 2: SEC-A BUSINESS LAWS**

Faculty Name: CA Sudeep Kumar Jain

Limited Liability Partnership Act, 2008





Coverage in Exams

Act	Direct Question	Descriptive Question	Total
December 2021	5 Marks	-	5
July 2021	5 Marks	-	5
January 2021	5 Marks	-	5
November 2020	5 Marks	-	5
November 2019	5 Marks	-	5
Total	25	-	25

Tenali Rama



One day Rama went to the goddess Kali temple. He sat in front of the idol with his eyes closed and recited the mantra for 1,008 times, with utmost devotion. After some time, he heard a voice calling him, "Rama, Rama."

Ramakrishna opened his eyes, and in front of him was goddess Kali. She said, "Rama, I have come to grant you wishes. Look! I have two bowls in my hand; one contains sweet milk. Upon drinking it, you would acquire great knowledge of the world. And the other bowl contains curd, which would give you wealth. But you can choose only one bowl, so think carefully and pick one."

Rama mixed both and drank. Rama bowed his head and replied, "I am sorry Ma Kali, but what is the use of knowledge without wealth, and what would I do with wealth without knowledge?"

Goddess Kali was impressed by his quick thinking and intelligence and blessed him, saying that he would become a great poet and would be known for his intelligence and sense of humor.



APPLICABILITY OF ACT

LLP Bill was:

- Notified on The Ministry of Law and Justice on **9th January 2007**.
- Passed by the Parliament on **12th December, 2008**
- Assented by the President of India the Bill on **7th January, 2009**
- Called as the Limited Liability Partnership Act, 2008.
- Came into force from **31st March, 2009**



Extends whole of India

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Contents of Act



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

- **The First Schedule** deals with mutual rights and duties of partners, as well limited liability partnership and its partners where there is absence of formal agreement with respect to them.
- **The Second Schedule** deals with conversion of a firm into LLP.
- **The Third Schedule** deals with conversion of a private company into LLP.
- **The Fourth Schedule** deals with conversion of unlisted public company into LLP.

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Important Points

- 1. Administration Authority:** The **Ministry of Corporate Affairs** and the Registrar of Companies (ROC)
- 2. Regulation Authority:** The **Central Government** has the authority to frame the Rules with regard to the LLP Act, 2008, and can amend them by notifications in the Official Gazette, from time to time.
- 3. Non- Applicability** of the Indian Partnership Act, 1932 to LLPs. (Sec.4)

Meaning and Concept of LLP



- A LLP is a new form of legal business entity with limited liability.
- **The LLP is a separate legal entity**
- **The LLP itself will be liable for the full extent of its assets but the liability of the partners will be limited.**
- **LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.**

May 19

July 21



Some Important Definitions

- 1. Body Corporate (Section 2(d)):** It means a company as defined in section 3 of the Companies Act, 1956 (now Companies Act, 2013) and **includes—**
- i. a LLP registered under this Act;
 - ii. a LLP incorporated outside India; and
 - iii. a company incorporated outside India, **but does not include—**
 - i. a corporation sole;
 - ii. a co-operative society registered under any law for the time being in force; and
 - iii. 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 notification in the Official Gazette, specify in this behalf.



Some Important Definitions

- 2. Business [Section 2(e)]:** “Business” includes every trade, profession, service and occupation.
- 3. Designated Partner [Section 2(j)]:** “Designated partner” means any partner designated as such pursuant to section 7.
- 4. Entity [Section 2(k)]:** “Entity” means any body corporate and includes, for the purposes of sections 18, 46, 47, 48, 49, 50, 52 and 53, a firm setup under the Indian Partnership Act, 1932.
- 5. Foreign LLP [section 2(m)]:** It means a LLP formed, incorporated or registered outside India which establishes a place of business within India.



Some Important Definitions

6. Financial Year [Section 2(l)]: “Financial year”, in relation to a LLP, means the period from the **1st day of April of a year to the 31st day of March** of the following year.

However, in the case of a **LLP incorporated after the 30th day of September of a year**, the financial year may end on the 31st day of 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.

The Income Tax department has prescribed uniform financial year from 1st April to 31st March of next year. In keeping with the Income tax law, the financial year for LLP should always be from 1st April to 31st March each year.



Some Important Definitions

7. Limited liability partnership [Section 2(n)]: Limited Liability Partnership means a partnership formed and registered under this Act.

8. Limited Liability partnership agreement [Section 2(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.

9. Partner [Section 2(q)]: Partner, in relation to a LLP, means any person who becomes a partner in the LLP in accordance with the LLP agreement.

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—

- (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 a 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.



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.

2. 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.

Example 2: A LLP by the name SMY LLP has three partners namely 1. SI Limited, 2. MIS Limited, 3. YI Private Limited. This will not be considered for registration because the requirement for LLP is to have 2 individual members as partners apart from the body corporate. Accordingly, the said SMY LLP must consist of at least five partners, namely the three body corporates and 2 individual members to constitute the LLP and the two individuals need to be treated as designated partners.



Designated partners (Section 7)

3. 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 182 days during the immediately preceding one year.

Example 3: 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.

characteristic

Characteristics of LLP



1. LLP is a body corporate: LLP is a body corporate 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.



“Man may come, Man may go; LLP will go forever.”

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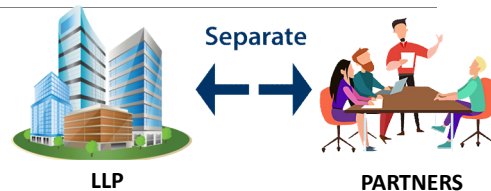
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characteristic

Characteristics of LLP



3. Separate Legal Entity: The LLP is a separate legal entity. Creditors of LLP shall be the creditors of LLP alone.



4. Limited Liability: The liability of the partners will be limited to their agreed contribution in the LLP.

LIMITED LIABILITY



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Characteristics of LLP



5. Mutual Agency: All partners will be the **agents** of the **LLP alone**. No one partner can bind the other partner by his acts



6. LLP Agreement: Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners. In the absence of any such agreement, the mutual rights and duties shall be governed by the provisions of the LLP Act, 2008.



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Characteristics of LLP



7. Minimum and Maximum number of Partners: Every LLP shall have 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.

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8. Business for Profit Only: LLP **cannot be formed** for charitable or non-economic purpose.



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Characteristics of LLP



9. 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.**



10. Common Seal: It is **not mandatory** for a 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 designated partners of the LLP.



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characteristic

Characteristics of LLP



11. 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.**



12. 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.



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characteristic

Characteristics of LLP



13. Investigation: The **Central Government** shall have powers to investigate the affairs of an LLP by appointment of competence authority for the purpose.

14. 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**.



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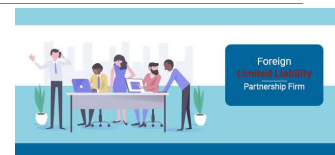
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characteristic

Characteristics of LLP



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



16. E-Filing of Documents: Every form or application of document required to be filed or delivered



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under the act and rules made there under, 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.

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ADVANTAGES

Advantages of LLP



1. It is **easy to form** a LLP.
2. LLP **agreements can be customized** according to meet the needs of partners.
3. It **operates on the basis of agreement**.
4. **No minimum** capital requirement.
5. LLP faces **less compliance and tax burden** when compared to company.
6. LLP provides **flexibility** without imposing detailed legal and procedural requirement.
7. **Liability of the partners is limited** to the contribution made to LLP.
8. **Dissolution procedures are easy** as compared to company.

Super
Over
1



Super Over 1



Q.1. When did LLP Act 2008, come into force?

- A) 01 April 2008
- B) 31 March 2009
- C) 01 May 2009
- D) 23 April 2008



Super Over 1



Q.2. A limited liability partnership is:

- A) Not a separate entity from that of its partners
- B) A legal entity separate from that of its partners
- C) A body corporate
- D) Only B and C are correct



Super Over 1



Q.3. A LLP shall be governed by the provisions of:

- A) The Companies Act, 2013
- B) The Limited Liability Partnership Act, 2008
- C) The Co-operative Societies Act, 1912
- D) The Indian Partnership Act, 1932



Super Over 1



Q.4. Whether a HUF can become partner in LLP:

- A) HUF may become partner of LLP provided the Registrar may grant permission in this behalf
- B) No, HUF can't become partner in the LLP
- C) Yes, HUF may become partner of LLP
- D) None of the above



Super Over 1



Q.5. How many designated partners are required in LLP

- A) At least two designated partners
- B) Seven designated partners
- C) Two designated partners
- D) At least seven designated partners





Super Over 1



**Q.6. Which section of LLP Act 2008 deals with
Minimum number of partners?**

- A) Section 7 of LLP Act 2008
- B) Section 4 of LLP Act 2008
- C) Section 6 of LLP Act 2008
- D) Section 9 of LLP Act 2008





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Incorporation of LLP

Incorporation Documents (Sec.11)

Subscription of Names [Sec.11(1)(a)]	Two or more persons associated for carrying on a lawful business with a view to profit shall subscribe their names to an incorporation document.
Filing of Documents [Sec.11(1)(b)]	The incorporation document shall be filed with the Registrar of the State in which the registered office of the LLP is to be situated with prescribed fees.

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Incorporation of LLP

Incorporation Documents (Sec.11)

Compliance Statement [Sec.11(1)(c)]

- A compliance **statement in the prescribed form** shall be filed along with the incorporation document,
- Which to be made by either **an advocate, or a CS or a CA or a CWA**, who is engaged in the formation of the LLP **and by any one who subscribed his name to** the incorporation document
- Stating that all the requirements of this Act and the rules made thereunder have been complied with,
- in respect of incorporation and matters precedent and incidental thereto.



Incorporation of LLP

Incorporation Documents (Sec.11)

Contents [Sec.11(2)]

The incorporation Document shall be in **Form 2** and contain the details:-

- **Name** of the LLP;
- **Proposed business** of the LLP;
- **Address of the registered office** of the LLP;
- **Name and address of each** of the persons who are to be **partners** of the LLP on incorporation;
- **Name and address of** the persons who are to be **designated partners** of the LLP on incorporation;
- Contain such **other information** concerning the proposed LLP **as may be prescribed**.



Incorporation of LLP

Incorporation Documents (Sec.11)

<p>Fine for making false Compliance Statement [Sec.11(3)]</p>	<p>If a person makes a statement as discussed above which he—</p> <ul style="list-style-type: none"> ➤ knows to be false; or ➤ does not believe to be true, shall be punishable with imprisonment upto 2 years and with fine Rs.10,000 to Rs.5 Lakhs
<p>LLP Identification Number (LLPIN)</p>	<ol style="list-style-type: none"> 1. The registrar shall maintain a register of LLPs in which the names of LLPs shall be entered in the order in which they are registered. 2. Every LLP so registered shall be assigned a LLPIN in one consecutive series.

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Incorporation of LLP

Incorporation by Registration (Sec.12)

<p>Role of Registrar [Sec.12(1)]</p>	<p>When the requirements of section 11 have been complied with, the Registrar shall retain the incorporation document and within 14 days:-</p> <ol style="list-style-type: none"> (a) register the incorporation, (b) give a certificate that the LLP is incorporated by the name specified therein.
<p>Compliance Statement [Sec.12(2)]</p>	<p>The Registrar may accept the Compliance Statement delivered under section 11 as sufficient evidence that the requirement as to subscription of names has been complied with.</p>

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Incorporation of LLP

Incorporation by Registration (Sec.12)

Significance of Certificate [Sec.12(3) & (4)]

- The certificate issued shall be **signed by the Registrar** and authenticated by his official seal.
- The certificate shall be **conclusive evidence** that the **LLP is incorporated by the name** specified therein.



Incorporation of LLP

Dec.21

Registered office of LLP and change therein (Section 13)

1. **Every LLP shall have a registered office** to which all communications and notices may be addressed and where they shall be received.
2. **A document may be served on a LLP or a partner or designated partner** thereof by sending it by post under a certificate of posting or by registered post or by any other prescribed manner, **at the registered office** and **any other address specifically declared** by the LLP for the purpose in prescribed form and manner.



Incorporation of LLP

Registered office of LLP and change therein (Section 13)

3. A LLP may **change the place of its registered office and** file the notice of such change with the Registrar in such form and manner and subject to such conditions as may be prescribed and any such change shall take effect only upon such filing.
4. If the **LLP contravenes any provisions of this section**, the LLP and its every partner shall be punishable with **fine Rs.2,000 to Rs.25,000**



Incorporation of LLP

Effect of Registration (Section 14)

On Registration, LLP shall by its name, be capable of :-

- i. **Suing and being sued;**
- ii. **Acquiring, owning, holding and developing or disposing of property**, whether movable or immovable, tangible or intangible;
- iii. Having a **common seal**, if it decides to have one; and
- iv. **Doing and suffering** (करना और भुगतना) **such other acts and things** as bodies corporate may lawfully do and suffer.



Incorporation of LLP

Name (Section 15)

1. Every limited liability partnership shall have either the words **“limited liability partnership”** or the acronym **“LLP”** as the last words of its name.
2. **No LLP** shall be registered by a name which, **in the opinion of the CG** is—
 - a) **undesirable**; or
 - b) **identical or too nearly resembles** to that of any other partnership firm or LLP or body corporate or a registered trade mark, or a trade mark for which application is pending.



Incorporation of LLP

Reservation of Name (Section 16)

1. A **person may apply** in **Form 1** and manner and with fee to **Registrar for the reservation of a name** set out in the application as—
 - a) **name of a proposed LLP**; or
 - b) name to which a LLP **proposes to change its name**.
2. Upon receipt of an application and on payment of the prescribed fee, the Registrar may, if he is satisfied, subject to the rules prescribed by the Central Government in the matter, that the name to be reserved is not one which may be rejected on any ground referred to in sub-section (2) of section 15, reserve the name for a period of **3 months** from the date of intimation by the Registrar.



Incorporation of LLP

Change of Name of LLP (Section 17)

1. Where **CG is satisfied** that LLP has been registered under a name which —
 - a) is a **name referred to in Section 15(2)**; or
 - b) is **identical with or too nearly resembles** the name of any other LLP or body corporate or other name as to be likely to be mistaken for it,

CG may direct such LLP to change its name, and **LLP shall comply** with the said direction **within 3 months** after the date of the direction or such longer period as CG may allow.
2. (i) LLP which **fails to comply** with a direction given under sub-section (1) shall be **punishable with fine Rs.10,000 to Rs.5 Lakhs**.
- (ii) **Designated partner** of such LLP shall be punishable with fine **Rs.10,000 to Rs.1 Lakh**.



Steps to Incorporation of LLP

STEP 1

Reservation of name of LLP: Applicant has to file e-Form 1, for ascertaining availability and reservation of the name of a LLP business.

STEP 2

File e- Form 2 for incorporating a new LLP: contains the details of proposed LLP, details of partners/designated partners and their consent.

STEP 3

Execution of **LLP Agreement** is mandatory as per Section 23 of Act. It will be filed in **e-Form 3** within 30 days of incorporation of LLP.

Super Over 2



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Super Over 2



Q.1. The incorporation Document shall be in_____

- A) Form 1
- B) Form 2
- C) Any of above
- D) None of Above



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Super Over 2



Q.2. When the requirements of section 11 have been complied with, the Registrar shall give incorporation certificate within _____

- A) 7 Days
- B) 10 Days
- C) 14 Days
- D) 30 Days



Super Over 2



Q.3. Fine for making false Compliance Statement u/s 11 _____

- A) Rs.1,000 to Rs.1 Lakh
- B) Rs.10,000 to Rs.5 Lakh
- C) Rs.10,000 to Rs.10 Lakh
- D) None of the Above



Super Over 2



Q.4. Section 12 of LLP Act 2008 deals with _____?

- A) Incorporation by registration
- B) LLP to be body corporate
- C) Reservation of name
- D) Partner as agent



Super Over 2



Q.5. Which form is filed for reservation of Name?

- A) Form 1
- B) Form 2
- C) Any of above
- D) None of Above



Super Over 2



Q.6. CG may direct such LLP to change its name, and LLP shall comply with the said direction within _____ after the date of the direction or such longer period as CG may allow.

- A) 1 month
- B) 3 months
- C) 6 months
- D) 9 months



Let's Revise

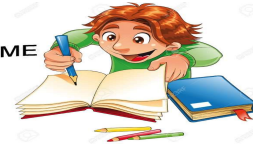
REVISION TIME



Applicability	From 31 st March, 2009 (Extends whole of India)
Contents	81 sections and 4 schedules First Schedule - mutual rights and duties of partners, Second Schedule - conversion of a firm into LLP, Third Schedule - conversion of a private company into LLP, Fourth Schedule- conversion of unlisted public company into LLP.
Non-Applicability	Non- Applicability of the Indian Partnership Act, 1932 to LLPs.
Meaning and Concept of LLP	1. New form of legal business entity, separate legal entity, limited liability of the partners, 2. Alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.
Partners (Section 5)	Any individual or body corporate may be a partner in a LLP. But not person of unsound mind, undischarged insolvent; or who has applied to be adjudicated as an insolvent.
Minimum partners (Section 6)	1. Two partners. 2. If LLP carries on business for more than six months with only one partner, he shall be liable personally for the obligations of the LLP incurred during that period.

Let's Revise

REVISION TIME



Important Definitions	1. Body Corporate [Sec. 2(d)]	A company and includes LLP, foreign LLP, foreign company, but does not include a corporation sole; a co-operative society and any other body corporate notified by CG.
	2. Business [Sec. 2(e)]	Includes every trade, profession, service and occupation.
	3. Designated Partner [Sec. 2(j)]	any partner designated as such pursuant to section 7.
	4. Entity [Sec. 2(k)]	Any body corporate and includes a firm setup under Indian Partnership Act.
	5. Foreign LLP [Sec. 2(m)]	LLP formed, incorporated or registered outside India which establishes a place of business within India.
	6. Financial Year [Sec. 2(l)]:	1 st April to 31 st March. If LLP incorporated after the 30 th September, F.Y. may end on the 31 st day of March of next following that year.
	7. LLP [Sec. 2(n)]:	Partnership formed and registered under this Act
	8. LLP agreement [Sec. 2(o)]	Written agreement b/w partners of LLP or between the LLP and its partners.
	9. Partner [Sec. 2(q)]:	Any person who becomes a partner in accordance with the LLP agreement.

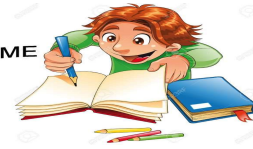
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REVISION TIME



Designated partners (Section 7)	<p>1. At least two designated partners who are individuals and at least one of them shall be a resident in India.</p> <p>2. Resident in India: a person who has stayed in India for a period of not less than 182 days during the immediately preceding one year.</p>
Characteristics of LLP	<p>1. LLP is a body corporate, 2. Perpetual Succession, 3. Separate Legal Entity, 4. Limited Liability, 5. Mutual Agency, 6. LLP Agreement, 7. Minimum and Maximum number of Partners, 8. Business for Profit Only, 9. Artificial Legal Person, 10. Common Seal, 11. Management of Business, 12. Conversion into LLP, 13. Investigation, 14. Compromise or Arrangement, 15. Foreign LLPs, 16. E-Filing of Documents</p>
Advantages of LLP	<p>1. Easy to form, 2. LLP agreements can be customized, 3. Operates on the basis of agreement, 4. No minimum capital, 5. Less compliance and tax burden, 6. Flexibility, 7. Limited Liability of the partners, 8. Dissolution procedures are easy.</p>

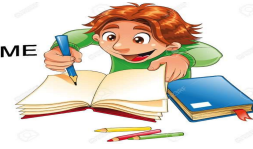
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Incorporation of LLP	<ol style="list-style-type: none"> 1. Subscription of Names by two or more persons, 2. Filing of Documents with the Registrar with prescribed fees. 3. Compliance Statement in the prescribed form made by either an advocate, or a CS or a CA or a CWA and by any one who subscribed his name. 4. Contents of incorporation Document - Name, Proposed business, Address of LLP; Name and address of each of to be partners & designated partners; Other prescribed information. 5. Issue of Incorporation Certificate by Registrar within 14 days of submission of documents.
Registered Office and Change therein	<ol style="list-style-type: none"> 1. Every LLP shall have a registered office 2. A document may be served by sending it by post at the registered office and any other address specifically declared for communication. 3. In case of change of place of its registered office, notice shall be filed to Registrar. 4. If contravenes, fine on LLP and its every partner - Rs.2,000 to Rs.25,000

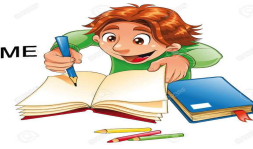
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REVISION TIME






Name	<ol style="list-style-type: none"> 1. Use of words "limited liability partnership" or "LLP" as the last words of its name. 2. No LLP registration by a name which, in the opinion of the CG is— a) undesirable; or b) identical or too nearly resembles to any other partnership firm or LLP or body corporate or a registered trade mark, or a trade mark for which application is pending.
Reservation of Name	<ol style="list-style-type: none"> 1. If name of registered LLP is undesirable or is identical with other name, CG may direct such LLP to change its name within 3 months. 2. If fails to comply with a direction - fine Rs.10,000 to Rs.5 Lakhs (LLP); Rs.10,000 to Rs.1 Lakh (Designated partner)
Steps to Incorporation of LLP	<ol style="list-style-type: none"> 1. Reservation of name of LLP; 2. File e- Form 2 for incorporating a new LLP; 3. Execution of LLP Agreement & filing to registrar within 30 days of incorporation.

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Partners and Their Relations

A. Eligibility to be partners (Section 22): On the incorporation of a LLP, the persons who subscribed their names to the incorporation document shall be its partners (**First Partners**) and any other person may become a partner of the LLP by and in accordance with the LLP agreement.

B. Relationship of partners (Section 23):

1. **Mutual rights and duties** of LLP and its partners, shall be governed by LLP agreement b/w the partners, or b/w LLP and its partners.
2. **LLP agreement** and **any changes** to be **filed with Registrar** in prescribed form, manner and accompanied by prescribed fees.

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Partners and Their Relations

B. Relationship of partners (Section 23):


3. **Agreement in writing made before the incorporation** of a LLP b/w persons who subscribe their names to the incorporation document may impose obligations on the LLP, **provided** such agreement is ratified by all the partners after the incorporation of the LLP.
4. **In absence of agreement as to any matter**, the mutual rights and duties of the partners and the mutual rights and duties of the LLP and the partners shall be determined by the provisions set-out in the **First Schedule**.

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Partners and Their Relations

C. Cessation of partnership interest (Section 24):




1. Person may cease to be a partner of a LLP in accordance with agreement, **by giving a notice in writing** of not less than **30 days** to the **other partners** of his intention to resign as partner.
2. **Person shall cease to be a partner** of a LLP—
 - a) on his **death or dissolution** of the LLP; 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.

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Partners and Their Relations

C. Cessation of partnership interest (Section 24):



3. **Former partner** is to be regarded **still being a partner** of the LLP **unless** a **notice** has been **delivered to the Registrar** by **former partner or LLP**.
4. **Even after cessation** of a partner from the LLP, **partner will still be liable** for any obligation which he incurred while being a partner.

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Partners and Their Relations



C. Cessation of partnership interest (Section 24):

5. Where a partner of a LLP ceases to be a partner, the **former partner** or a person entitled to his share in consequence of the death (**legal heir**) or insolvency (**official assignee**) of the former partner, **shall be entitled to receive from the LLP:**

- a) **amount equal to the capital contribution** of the former partner actually made to the LLP; **and**
- b) his **right to share in the accumulated profits** of the LLP, after the deduction of accumulated losses of the LLP, determined as **at the date the former partner ceased to be a partner.**




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Partners and Their Relations

C. Cessation of partnership interest (Section 24):

6. **Former partner** or a person entitled to his share in consequence of the death or insolvency of the former partner shall **not have any right to interfere in the management of the LLP.**




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Partners and Their Relations

D. Registration of changes in partners (Section 25):

1. Every **partner shall inform LLP** of **any change in** his name or address **within 15 days**.
2. **A LLP shall—**
 - a) where a **person becomes or ceases to be a partner**, **file a notice with Registrar within 30 days** from the date he becomes or ceases to be a partner; **and**
 - b) where there is **any change in the name or address of a partner**, **file a notice with the Registrar within 30 days** of such change.




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Partners and Their Relations

D. Registration of changes in partners (Section 25):

3. **Notice filed with Registrar** under sub-section (2)—
 - a) shall be in such **form and accompanied** by such fees as may be prescribed;
 - b) shall be **signed by designated partner** of the LLP and authenticated in prescribed manner; and
 - c) if it **relates to an incoming partner**, shall **contain a statement** by such partner that he **consents** to becoming a partner, signed by him.




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Partners and Their Relations



D. Registration of changes in partners (Section 25):



4. If **LLP contravenes** the provisions of sub-section (2), **LLP and every designated partner** of the LLP shall be **punishable with fine of Rs.2,000 to Rs.25,000.**


5. If any **partner contravenes the provisions of sub-section (1)**, such partner shall be punishable with **fine of Rs.2,000 to Rs.25,000.**

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Partners and Their Relations

D. Registration of changes in partners (Section 25):



6. **Person who ceases to be a partner** of a LLP may **himself file with the Registrar the notice** referred to in sub-section (3) if he has reasonable cause to believe that the LLP may not file the notice with the Registrar and the **Registrar shall obtain a confirmation** to this effect **from the LLP** unless the LLP has also filed such notice.

However, where **no confirmation is given by the LLP within 15 days**, the registrar shall register the notice made by a person ceasing to be a partner under this section.

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Extent and Limitation of Liability of LLP and Partner



I. Partner as agent (Section 26) Every partner of a LLP is, for the purpose of the business of the LLP, the agent of the LLP, but not of other partners.

II. Extent of liability of LLP (Section 27):

1. LLP is not bound by anything done by a partner in dealing with a person (Third Person)
 - if Partner has no authority to act for the LLP in doing a particular act and
 - the person knows that he has no authority or does not know or believe him to be a partner of the LLP



Nov.19



Extent and Limitation of Liability of LLP and Partner



II. Extent of liability of LLP (Section 27):

2. LLP is liable if a partner of a LLP is liable to any person as a result of a wrongful act or omission on his part in the course of the business of the LLP or with its authority.
3. Obligation of the LLP whether arising in contract or otherwise, shall be solely the obligation of the LLP.
4. Liabilities of LLP shall be met out of the property of LLP.



Nov.20



Extent and Limitation of Liability of LLP and Partner

III. Extent of liability of partner (Section 28):

1. **Partner is not personally liable** for obligations of the LLP.
2. **Partner is personally liable** for his own wrongful act or omission, but a partner shall **not be personally liable for the wrongful act or omission of any other** partner of the LLP.



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Extent and Limitation of Liability of LLP and Partner

IV. Holding Out (Section 29):

1. **Any person (let say first person),**
 - 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**
 - is **liable to any person (let say other person)**
 - who **has on the faith** of any such representation
 - **given credit** to the LLP.



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Extent and Limitation of Liability of LLP and Partner

IV. Holding Out (Section 29):

However, where **any credit is received by the LLP** as a result of such representation, **the LLP shall be liable to the extent of credit** received by it.

2. Where **after a partner's death the business is continued in the same LLP name**, his legal representative or his estate **shall not** be liable for any act of the LLP done after his death.



Extent and Limitation of Liability of LLP and Partner

V. Unlimited liability in case of Fraud (Section 30)

1. If **an act carried out** by a LLP or any of its partners with intent to defraud creditors of the LLP or any other person or for any fraudulent purpose, **the liability** of the LLP and partners **shall be unlimited**.

2. **Every person** who was **knowingly a party** to above act shall be punishable with:

- imprisonment for a term which may extend to 2 years **and**
- with fine of Rs.50K to Rs.5 Lakhs.



Super Over 3



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Super Over 3



Q.1. Person shall cease to be a partner of a LLP—

- a) on his death or dissolution of the LLP;
- b) if he is declared to be of unsound mind by a competent court;
- c) if he has applied to be adjudged as an insolvent or declared as an insolvent
- d) all of the above



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Super Over 3



Q.2. Even after cessation of a partner from the LLP, partner will not be liable for any obligation.

- a) Yes
- b) Partner will still be liable for any obligation which he incurred while being a partner
- c) Both of the above
- d) None of the above



Super Over 3



Q.3. Where a partner of a LLP ceases to be a partner, the former partner shall be entitled to receive from the LLP:

- a) Amount equal to the capital contribution
- b) His right to share in the accumulated profits of the LLP
- c) Both
- d) None of above



Super Over 3



Q.4. In case of any change in name or address of any partner, that partner shall inform LLP within

- a) 7 days
- b) 10 days
- c) 15 days
- d) 30 days



Super Over 3



Q.5. In case of any change in name or address of any partner, LLP shall inform Registrar within

- a) 7 days
- b) 10 days
- c) 15 days
- d) 30 days



Super Over 3



Q.6. In case of a LLP, the partners are agents of ____

- a) LLP
- b) Other Partners
- c) Both a) and b)
- d) None of the above



Financial Disclosures



Maintenance of books of account, other records and audit, etc. (Section 34):



1. LLP **shall maintain such prescribed proper books** of account relating to its affairs for each year of its existence on cash basis or accrual basis and according to double entry system of accounting and **shall maintain the same at its registered office** for prescribed period.
2. Every LLP shall, **within 6 months** from the end of each financial year, prepare a **Statement of Account and Solvency** for the said financial year and shall be signed by the designated partners of the LLP.



Financial Disclosures

Maintenance of books of account, other records and audit, etc. (Section 34):



3. **Statement of Account and Solvency** shall be filed with the Registrar every year in prescribed form and manner and with prescribed fees.

4. **Accounts of LLP shall be audited.** However, CG may, by notification in the Official Gazette, exempt any class or classes of LLP from audit.

5. If LLP which fails to comply with the above provisions shall be punishable: **with fine of Rs.25,000 to Rs. 5 Lakhs.**

Every designated partner of such LLP shall be punishable: **with fine of Rs.10,000 to Rs.1 Lakh.**

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Conversion into LLP

1. **Conversion from firm into LLP (Section 55):** A firm may convert into a LLP in accordance with the provisions of the **Second Schedule.**

2. **Conversion from private company into LLP (Section 56):** A private company may convert into a LLP in accordance with the provisions of the **Third Schedule.**

3. **Conversion from unlisted public company into LLP (Section 57):** A unlisted public company may convert into a LLP in accordance with the provisions of the **Fourth Schedule.**

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Registration and effect of conversion (Section 58)



Registration:

1. **Registrar**, on satisfying that a firm, private company or an unlisted public company, as the case may be, has complied with the provisions of the various Schedules, provisions of this Act and the rules made thereunder, **register the documents and issue a certificate of registration** stating that the LLP is registered under this Act from the date specified in the certificate,.
2. LLP shall, **within 15 days** of the date of registration, **inform the concerned Registrar** of Firms or Registrar of Companies, as the case may be, about the conversion and of the particulars of the LLP.



Registration and effect of conversion (Section 58)



Registration:

3. **Upon such conversion**, the partners of the firm, the shareholders of private company or unlisted public company, as the case may be, the LLP to which such firm or such company has converted, and the partners of the LLP shall be bound by the provisions of the various Schedules, as the case may be, applicable to them.



Registration and effect of conversion (Section 58)



Effect of Registration: On and from the date of registration specified in the certificate of registration issued under the various Schedule:

1. **There shall be a LLP** by name specified in certificate of registration.
2. **All tangible (movable or immovable) and intangible property** vested in the firm or the company, as the case may be, all assets, interests, rights, privileges, liabilities, obligations relating to the firm or the company, as the case may be, and the whole of the undertaking of the firm or the company, as the case may be, shall be transferred to and shall vest in the LLP; and
3. **Firm or the company**, as the case may be, shall be **deemed to be dissolved** and removed from the records of the Registrar of Firms or Registrar of Companies.



Foreign LLP (Section 59)



CG may make rules for provisions in relation to establishment of place of business by foreign LLP within India and carrying on their business therein by applying or incorporating, with such modifications, as appear appropriate, the provisions of the Companies Act, 1956 or such regulatory mechanism with such composition as may be prescribed.



Winding up and Dissolution



A. Winding up and dissolution (Section 63): Winding up of a LLP may be either voluntary or by the Tribunal and LLP, so wound up may be dissolved.

B. Circumstances in which LLP may be wound up by Tribunal (Section 64):

- If LLP decides that LLP be wound up by the Tribunal;
- if, for a period of more than six months, the number of partners of the LLP is reduced below two;
- if LLP is unable to pay its debts;
- if LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;

Nov.20



Winding up and Dissolution



- if LLP has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any five consecutive financial years; or
- If Tribunal is of the opinion that it is just and equitable that the LLP be wound up.

C. Rules for winding up and dissolution (Section 65): CG may make rules for the provisions in relation to winding up and dissolution of LLP.



Miscellaneous

I. Business transactions of partner with LLP (Section 66): Partner may lend money to and transact other business with LLP and has the same rights and obligations with respect to the loan or other transactions as a person who is not a partner.

II. Application of the provisions of the Companies Act (Section 67):

1. CG may, by notification in the Official Gazette, direct that any of the provisions of the Companies Act, 1956 specified in the notification—
 - a) shall apply to any LLP; or
 - b) shall apply to any LLP with such exception, modification and adaptation, as may be specified, in the notification.



Miscellaneous

2. A copy of every notification proposed to be issued under sub-section (1)
 - shall be laid in draft before each House of Parliament,
 - For 30 days which may be comprised in one session or in two or more successive sessions, and
 - if, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification,
 - the notification shall not be issued or issued only in modified form.



Miscellaneous



III. Electronic filing of documents (Section 68):

1. Any document required to be filed, recorded or registered under this Act may be filed, recorded or registered in prescribed manner.
2. Copy of any document electronically filed by affixing digital signature with Registrar be admissible as valid evidence.
3. Any information supplied by the Registrar, certified by him by affixing digital signature to be a true extract be admissible in evidence and be presumed, unless evidence to the contrary is adduced.



Miscellaneous



IV. Payment of additional fee (Section 69):

Any document or return required to be filed or registered with the Registrar,

- if, is not filed or registered in time,
- may be filed or registered after that time upto a period of 300 days from the date within which it should have been filed,
- on payment of additional fee of Rs.100 for every day of such delay.



Distinction between LLP and Partnership Firm

	Basis	LLP	Partnership firm
1.	Regulating Act	The Limited Liability Partnership Act, 2008.	The Indian Partnership Act, 1932.
2.	Body corporate	It is a body corporate.	It is not a body corporate.
3.	Separate legal entity	It is a legal entity separate from its members.	It is a group of persons with no separate legal entity.
4.	Creation	It is created by a legal process called registration under the LLP Act, 2008.	It is created by an agreement between the partners.
5.	Registration	Registration is mandatory. LLP can sue and be sued in its own name.	Registration is voluntary. Only the registered partnership firm can sue the third parties.
6.	Perpetual succession	Death, insanity, retirement or insolvency of the partner(s) does not affect its existence of LLP.	Death, insanity, retirement or insolvency of the partner(s) may affect its existence. It has no perpetual succession.

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Distinction between LLP and Partnership Firm

	Basis	LLP	Partnership firm
7.	Name	Name of the LLP to contain the word limited liability partners (LLP) as suffix.	No guidelines. The partners can have any name as per their choice.
8.	Liability	Liability of each partner limited to the extent to agreed contribution except in case of wilful fraud.	Liability of each partner is unlimited. It can be extended upto the personal assets of the partners.
9.	Mutual agency	Each partner can bind the LLP by his own acts but not the other partners.	Each partner can bind the firm as well as other partners by his own acts.
10.	Designated partners	At least two designated partners and at least one of them shall be resident in India.	There is no provision for such partners under the Indian partnership Act, 1932.
11.	Common seal	It may have its common seal as its official signatures.	There is no such concept in partnership

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Distinction between LLP and Partnership Firm

	Basis	LLP	Partnership firm
12.	Legal compliances	Only designated partners are responsible for all the compliances and penalties under this Act.	All partners are responsible for all the compliances and penalties under the Act.
13.	Annual filing of documents	LLP is required to file: <ul style="list-style-type: none"> ➤ Annual statement of accounts ➤ Statement of solvency ➤ Annual return of LLP every year. 	Partnership firm is not required to file any annual document with the registrar of firms.
14.	Foreign partnership	Foreign nationals can become a partner in a LLP.	Foreign nationals cannot become a partner in a partnership firm.
15.	Minor as partner	Minor cannot be admitted to the benefits of LLP.	Minor can be admitted to the benefits of the partnership with the prior consent of the existing partners.

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Distinction between LLP and Company

	Basis	LLP	Company
1.	Regulating Act	The LLP Act, 2008.	The Companies Act, 2013.
2.	Members/ Partners	The persons who contribute to LLP are known as partners of the LLP.	The persons who invest the money in the shares are known as members of the company.
3.	Internal governance structure	The internal governance structure of a LLP is governed by agreement between the partners.	The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).
4.	Name	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.	Name of the public company to contain the word "limited" and Private company to contain the word "Private limited" as suffix.

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Distinction between LLP and Company

Basis	LLP	Partnership firm
5. Number of members/partners	Minimum – 2 members Maximum – No such limit on the members in the Act.	Private company: Min. – 2 members Max.– 200 members Public company: Min. – 7 members Max. – No limit.
6. Liability of members/partners	Liability of a partners is limited to the extent of agreed contribution except in case of willful fraud.	Liability of a member is limited to the amount unpaid on the shares held by them.
7. Management	Business of LLP managed by the partners including the designated partners authorized in the agreement.	Affairs of the company are managed by board of directors elected by the shareholders.
8. Min. no. of directors / designated partners	Minimum 2 designated partners.	Private Co. – 2 directors Public Co. – 3 directors

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Let's Revise

REVISION TIME



Partners and Their Relations	Eligibility	Any other person may become a partner of the LLP by and in accordance with the LLP agreement
	Relationship	<ol style="list-style-type: none"> 1. Mutual rights and duties as per LLP agreement. 2. Any change in LLP agreement to be filed with Registrar in prescribed form with prescribed fees. 3. If any matter not mentioned in agreement, First Schedule will be applicable.
	Cessation of partnership interest	<ol style="list-style-type: none"> 1. Person may cease to be a partner by giving a notice in writing of 30 days. 2. Person shall cease to be a partner of a LLP on his death or dissolution of the LLP; or declared to be of unsound mind; or applied to be adjudged as an insolvent or declared as an insolvent. 3. Former partner is still liable unless a notice has been delivered to the Registrar. 4. Even after cessation, partner will still be liable for any obligation which he incurred while being a partner.

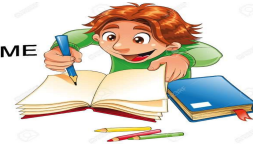
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Let's Revise

REVISION TIME



Partners and Their Relations	Cessation of partnership interest	<p>5. On cessation, former partner or legal heir or official assignee entitled to receive from the LLP: a) amount equal to capital contribution of former partner; and b) his right to share in the accumulated profits.</p> <p>6. Former partner or legal heir or official assignee shall not have any right to interfere in the management of the LLP.</p>
	Registration of changes in partners	<p>1. Information by partner of any change in his name or address to LLP - within 15 days.</p> <p>2. Information by LLP to Registrar:</p> <p>a) Admission or cessation of a partner - within 30 days; and</p> <p>b) Change in name or address of a partner - within 30 days</p> <p>3. In case of contravention - fine of Rs.2,000 to Rs.25,000.</p> <p>4. Former Partner may himself file the notice with Registrar and the Registrar shall obtain a confirmation from LLP.</p> <p>5. In case no confirmation by LLP within 15 days, registrar shall register the notice made by Former Partner.</p>

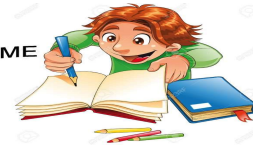
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REVISION TIME



Extent a& Limitation of Liability of LLP & Partner	Partner as agent	Agent of the LLP, but not of other partners.
	Liability of LLP	<p>1. LLP not bound by anything done by a partner if Partner has no authority.</p> <p>2. Obligation of the LLP shall be solely the obligation of the LLP.</p> <p>3. Liabilities of LLP shall be met out of the property of LLP.</p>
	Liability of partner	<p>1. Partner is not personally liable for obligations of the LLP.</p> <p>2. Partner is personally liable for his own wrongful act or omission.</p>
	Holding Out	<p>1. Any person who represents himself to be a partner in a LLP is liable as partner by holding out. If LLP gets any benefit as a result of such representation, it shall be liable to that extent.</p> <p>2. After a partner's death, his legal representative or his estate shall not be liable for any act of the LLP done after his death.</p>
	Unlimited liability in case of Fraud	<p>1. If act carried out by a LLP or partner to defraud creditors, liability of LLP and partners shall be unlimited.</p> <p>2. Penalty: imprisonment upto 2 years and fine of Rs.50K to Rs.5 Lakhs.</p> <p>3. Defaulted person also liable to pay compensation.</p>

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REVISION TIME



Financial Disclosures	<ol style="list-style-type: none"> 1. Maintain such prescribed proper books of account. 2. Statement of Account and Solvency within 6 months from end of each F.Y. 3. Statement of Account and Solvency shall be filed with the Registrar every year in prescribed form and manner and with prescribed fees. 4. Audit of Accounts. CG may exempt. 5. In contravention: Fine of Rs.25,000 to Rs. 5 Lakhs (LLP), Fine of Rs.10,000 to Rs.1 Lakh (DP)
Registration of conversion to LLP	<ol style="list-style-type: none"> 1. Registrar, on satisfying, will register the documents and issue a certificate of registration. 2. Information of conversion to Registrar of Firms or Companies by LLP, within 15 days from registration. 3. Upon such conversion, provisions of LLP will be applicable.
Effect of Registration of conversion	<ol style="list-style-type: none"> 1. There shall be a LLP by name specified in certificate of registration. 2. All tangible (movable or immovable) and intangible property of firm or the company, shall vest in LLP 3. Firm or company shall be deemed to be dissolved.

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Let's Revise

REVISION TIME



Winding up & Dissolution of LLP	<ol style="list-style-type: none"> 1. Winding up of a LLP may be either voluntary or by the Tribunal. 2. Circumstances of wound up by Tribunal: a). If LLP decides, b). No. of partners reduced below two for more than 6 months, c). unable to pay its debts, d). acted against interests of sovereignty and integrity of India, e). default in filing Statement of Account and Solvency or annual return for any 5 consecutive F.Y., g). just and equitable.
Miscellaneous	<ol style="list-style-type: none"> 1. Partner may lend money to and transact other business with LLP. 2. CG may issue directions for applicability of provisions of the Companies Act to LLP. 3. Documents may be filed electronically by affixing digital signature. 4. If any document or return not filed or registered in time, may be filed or registered upto 300 days on payment of additional fee of Rs.100 for every day of such delay.

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Super Over 4



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Q.1. Who shall sign the Statement of Account and Solvency prepared by the LLP:

- a) By any one partner, authorised in this behalf
- b) By at least two partners, authorised in this behalf
- c) By all the partners
- d) By the designated partners



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Q.2. What is the periodicity of preparing the Statement of Account and Solvency by the LLP:

- a) Within 3 months from the end of each F.Y.
- b) Within 9 months from the end of each F.Y.
- c) Within 12 months from the end of each F.Y.
- d) Within 6 months from the end of each F.Y.



Super Over 4



Q.3. Circumstances in which LLP may be wound up by Tribunal (Section 64):

- a) if, for a period of more than six months, the number of partners of the LLP is reduced below two;
- b) if LLP is unable to pay its debts;
- c) if LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;
- d) any of the above



Super Over 4



Q.4. LLP shall, within _____ of the date of registration, inform the concerned Registrar of Firms or Registrar of Companies, as the case may be, about the conversion and of the particulars of the LLP.

- a) 7 days
- b) 10 days
- c) 15 days
- d) 30 days



Super Over 4



Q.5. Which schedule of LLP Act, 2008 deals with conversion of an unlisted public company into LLP?

- a) First Schedule
- b) Second Schedule
- c) Third Schedule
- d) Fourth Schedule



Super Over 4



Q.6. What are the penal provisions for LLP, if any LLP fails to comply with the provisions of Section 34 (which relates to the maintenance of books of account, other records and audit, etc), it shall be punishable with:

- a) Fine Rs.15000 to Rs.5 lacs.**
- b) Fine Rs.25000 to Rs.5 lacs.**
- c) Fine Rs.20000 to Rs.5 lacs.**
- d) Fine Rs.10000 to Rs.5 lacs.**



THANK YOU