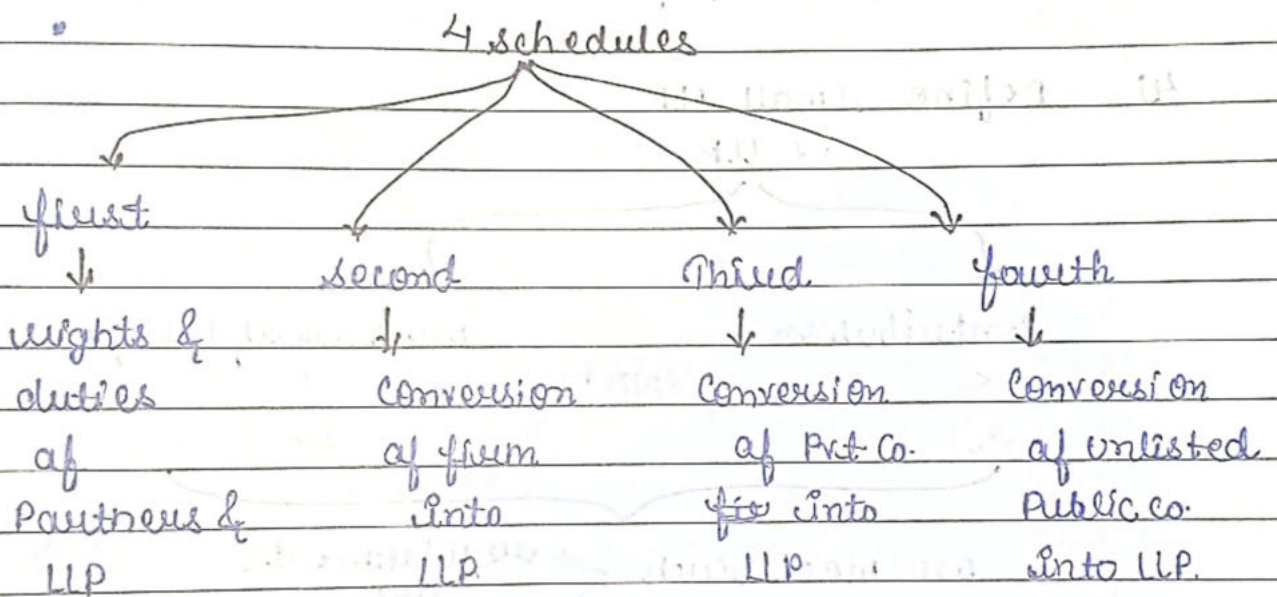


Chapter-12 (revised) "limited liability Partnership"

1) Important points -

- Bill passed = 12th Dec, 2008
- President assent = 7th Jan, 2009
- Act notified = 9th Jan, 2009
- applicable to whole of India
- 81 sections (81 is now omitted)
& 4 Schedules.



- LLP is a hybrid between $\begin{cases} \text{company} \\ \text{\&} \\ \text{partnership} \end{cases}$

2) Features of LLP -

(i) Liability of partners will be limited to the extent of their capital contribution.

(ii) LLP itself will be liable for the full extent of its assets.

(iv) allows the partners the flexibility of organising their internal structure.

(v) alternative corporate business vehicle

(vi) new form of legal business entity with limited liability.

3) refer definition no.

2, 7, 8, 11, 15 page no. 12-5 module.

MVVIP: 10/12/25
MIP 2

4) Define small LLP
or LP

Contribution
≤
25L

AND

Turnover of last year
≤
40L

one meet such requirements or conditions

3) Advantages of LP -

Ans- LP form is a form of business model which-
(i) Is organised and operates on the basis of an agreement

(ii) Provides flexibility without imposing detailed legal and procedural requirements

(iii) Easy to form.

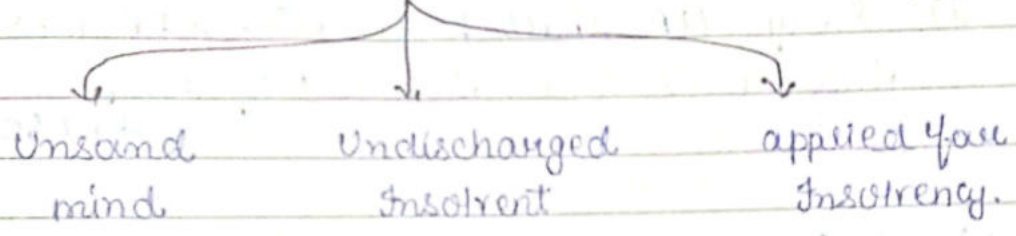
(iv) all partners enjoy limited liability.

(v) Easy to dissolve.

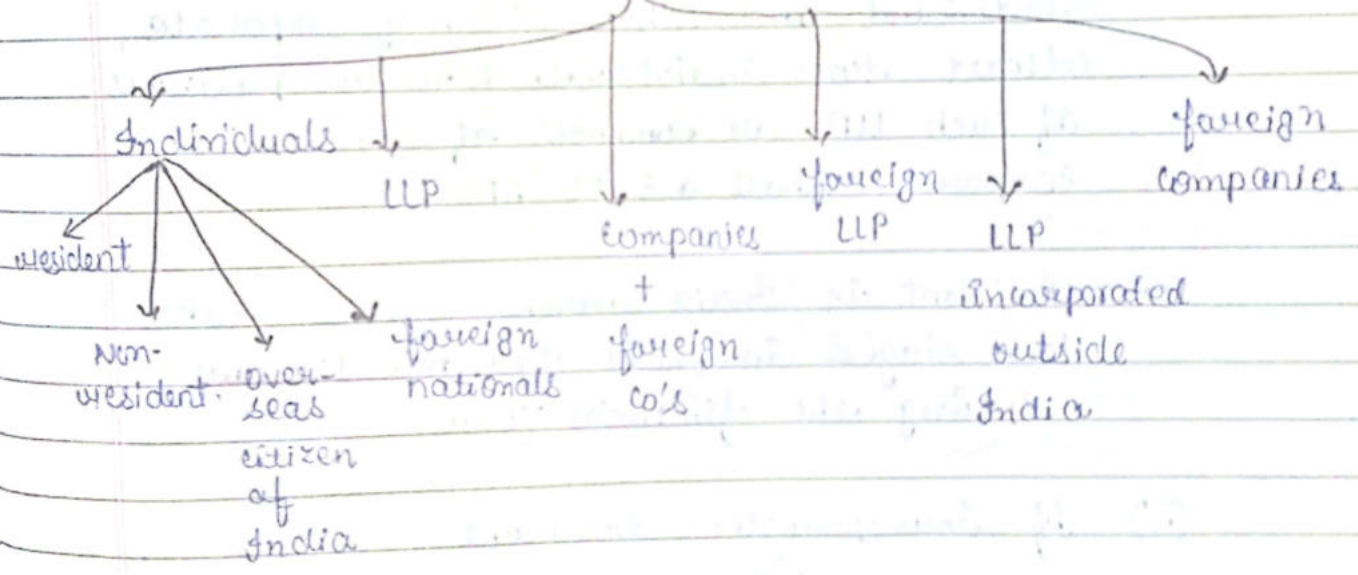
6) Partners. (Section 5)

Ans (i) An individual or body corporate can be a partner in LLP

(ii) An individual cannot be a partner if



(iii) following person can become partner in LLP.



(iv) co-operative & cooperative society **CANNOT** become partner in LLP

Que-1) Minimum partners. (Sec. 6)

- Ans- → minimum 2 partners
- If no. of partners falls below 2 and such UP carries on business for more than 6 months then the partner who is left will be liable ^{personally} for the obligations of UP incurred during that period.

Que-2) Designated Partner. (Section 7) (DP)

- Ans- (i) Every LLP shall have min. 2 DP who are individuals and at least 1 of them resident in India shall be
- (ii) If in a LLP all the partners are bodies corporate or in which one partner ~~are~~ is individual and other as body corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as DP.
- (iii) Resident in India means a person who has stayed in India for min 120 days during the financial year.

(iv) If Incorporation document

States DP
then,
such person
shall be DP

or

States each partner
from time to time
shall be DP, then
every partner shall
be DP.

(v) any partner may become DP or cease to be a DP as per 'LLP agreement'.

(vi) An individual shall become DP only if he has given prior consent become DP in prescribed form.

(vii) Every DP shall obtain DPIN (Designated Partner Identification number).

Ques-9 changes in DP - section 9

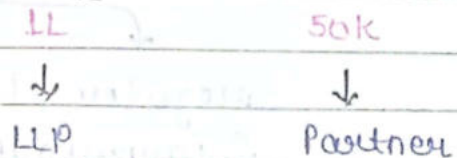
Ans- (i) LLP shall appoint DP within 30 days of a vacancy arising.

(ii) If no DP is appointed or if at any time there is only 1 DP, then each partner shall be deemed to be DP.

Ques-10 Penalty for contravention of section 9 - section 10

Ans-

(i) If no. of DP is less than 2, then LLP & its partner shall be liable to min ₹10,000 + 100/day subject to max



(ii) If LLP fails to file consent of DP within 30 days of appointment, then

LLP & its partner shall be liable to min ₹5000 + 100/day subject to max

(iii) If vacancy of OP is not filed, then LLP & its partners shall be liable to same as point 1

Que-11 What are the contents of Incorporation document -

Ans- following are the contents.

- (a) state the name of the LLP.
- (b) state the proposed business of the LLP
- (c) state the address of the registered office of the LLP
- (d) state the name and address of each of the persons who are to be partners of the LLP on incorporation.
- (e) state the name and address of the persons who are to be designated partners of the LLP on incorporation.
- (f) contain such other information as may be prescribed.

Que-12 Incorporation by registration - Section 12

Ans- (i) If all the requirements of section 12 are complied with then ROC shall within 14 days

register the Incorporation document

AND

give a certificate that the LLP is incorporated by the name specified therein.

(iv) The Registrar may accept the statement delivered under section 11 as sufficient evidence that the requirement of section 11 has been complied with.

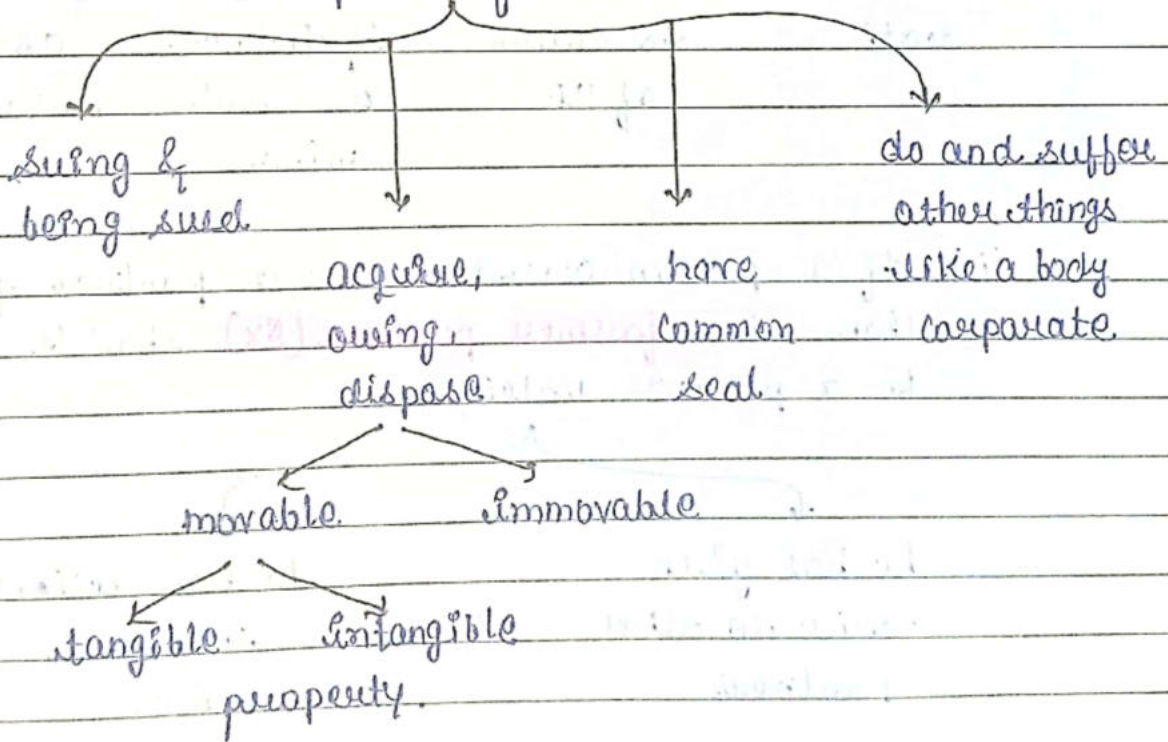
(v) The certificate so issued shall be signed by Registrar and authenticated by his official seal.

(vi) The certificate shall be a conclusive evidence that the LLP is incorporated by the name specified therein.

Ques- Registered office of LLP and changes therein - section 13
Ans- refer module page no. 12-17

Ques-14 Effect of registration - sec 14 (Imp)

Ans- LLP shall be capable of -



Date / /

Que-15 Reservation of name - section 16
 ans- ROC will reserve the name for a period of 3 months from the date of intimation by ROC.

refer page no. 12-19

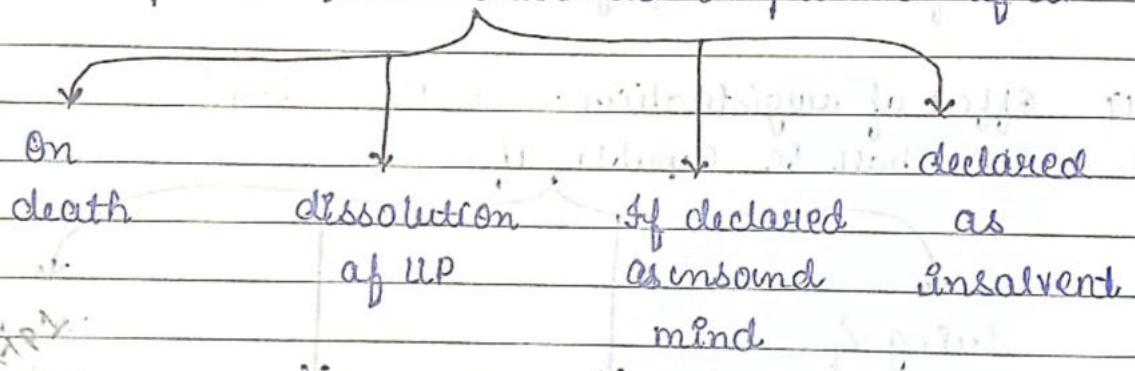
Que-16 Rectification of name - Section 17

ans- refer page no. 12-18

Que-17 Cessation of Partnership - section 24.

ans- (i) A partner may cease to be partner by giving notice of min. 300 to other partners.

(ii) A person shall cease to be partner of UP



Jan 2019 imp

(iii) If a person ceases to be a partner of UP, then the former partner (ex) shall be still be a partner unless

he has given notice to other partners

he has delivered the notice to ROC.

(iv) The former partner shall be liable for the acts done when he was a partner.

(v) The former partner or person entitled to his share in case of
 death
 (or)
 Insolvency } shall be entitled to receive

Capital so contributed.

AND

right to share in profits after deducting losses.

(vi) Former partner or person entitled shall have no right to interfere in the management of UP.

Ques-18 Registration of changes in partners - section 25
 ans- refer page no. 12.21 - module

Ques-19 Partner as agent - section 26
 ans- Every partner of a UP, for the purpose of the business of the UP shall be the agent of the UP, but not of other partners.

Ques-20 Liability -

Liability

LLP (sec 27)

Partners (sec 28)

1) If partner has no authority or the person knows that partner has no authority for a

1) a partner of UP shall be, ^{not} personally liable for the obligation of UP.

Date

particular act
No liability of LLP

It shall not affect
his personal liability

2) LLP will be liable
for acts of wrongful
act of partner if
done within the
authority.

3) An obligation of LLP
shall be the obligation
of LLP solely.

4) liabilities of LLP shall
be met out of the
properties of LLP.

(Imp)

Ques-1 Unlimited liability in case of fraud. Section 30

Ans-

1) In case of fraud, done by LLP or any of its
partner with intend to defraud the creditors
or any other purpose then, they shall be liable
unlimited for all or any of the debts or
other liabilities of the LLP.

2) However, LLP will not liable if the act is
done without the knowledge or authority
of LLP.

3) Such partners persons shall also be punishable
for min 50,000 - max 500,000 & imprisonment
upto 5 years.

4) Such persons will also be liable to pay compensation to any person who has suffered loss or damage by reason of such fraud.

Ques-22 Financial disclosures - Sec 34

- ans- 1. maintain proper books of account in prescribed manner.
- 2. file statement of account and solvency within 6 months from end of each FY.
- 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. Central government may exempt.

refer page no. 12.27

Ques-23 Annual return - Sec 85

ans- 1. Every UP shall file annual return within 60 days from the closure of its financial year in the prescribed form.

2. Penalty for non-filing

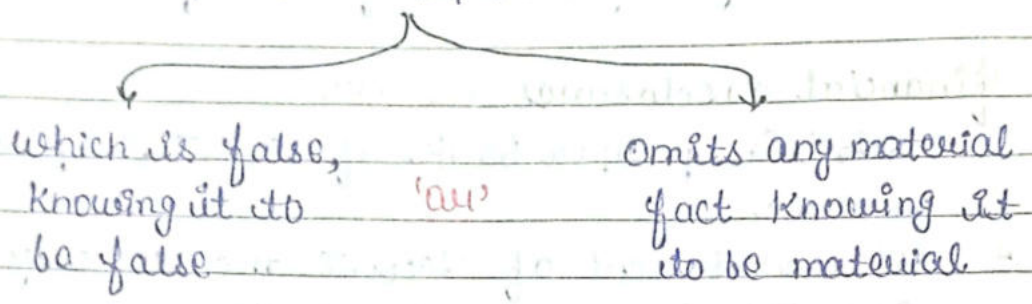
UP
↓
100/day
max 1L

OP
↓
100/day
max 50,000

Ques 4

Penalty for false statement - section 37

Ans- If a person makes a statement in any return, statement, document



then, shall be liable for

- min fine: min 1L
- max 5L
- Imp- upto 2 years
- [12Ka5]

Que-25

refer sec 60/page no. 12-31/33 → compromise / arrangement

Que-26

Winding up - sec 63/64

Ans- 1) LLP may be wound up voluntarily or by Tribunal.

2) following are the circumstances -

(a) if the LLP decides that LLP be wound up by the Tribunal.

(b) if, for a period of more than 6 months the number of partners of the LLP is reduced below two.

(c) if the LLP has acted against the interest of the sovereignty and integrity of India, the security of the state or

public order.

(d) if the LLP has made a default in filing with the registrar the statement of account and solvency or annual return for any **five consecutive financial year.**

(e) If the Tribunal thinks it is just & equitable.

Refer: page 12-89 - section 70 and differences.