



Though LLP is provided with the flexibility by the Limited Liability Partnership Act 2008 to define their own rules and regulations but they are regulated to some extent in form of mandatory compliances provided under the Act. The purpose of these compliances is on one hand is to prevent frivolous LLP being formed and on other, to provide LLP, the necessary freedom they require. Under the LLP Act, every LLP is required to make certain compliances, annually and on the happening of specified events.

Further for ensuring the adherence of these provisions, the Act has prescribed stringent penalty in case of non compliance of any of the provisions.

In order to have comprehensive understanding on the Compliances, the overall execution has been categorized in two parts

- **Event Based Compliance** – Triggered on the execution of certain specific events as prescribed by the Law.
- **Regular Compliance** – Regularly to be complied by every LLP irrespective of occurring of any event, identified as annual compliances to be executed by every LLP.

Event Based Compliance

S. No.	Head	Section	Compliance	Penalty for Non Compliance
1.	Consent and Particulars of Designated Partners/Partners	7(3) & 7(4)	Consent of Partners to act as such is being filed with the Registrar of LLP through eform 4 within 30 days of the appointment.	The Limited Liability Partnership and its every partner shall be punishable with fine which shall not be less than Rs. 10,000 but which may extend to Rs. 1,00,000 .
2	Vacancy of Designated Partner/Partner	9	Intimation of vacancy is to be filed with the Registrar of LLP through eForm 4 within 30 days of vacancy. As per the legal requirement there shall be minimum 2 designated partners and in case if after vacancy of designated partner no appointed being made or if any time there is only one designated partner, then each partner shall be deemed to be the designated partner.	The Limited Liability Partnership and its every partner shall be punishable with fine which shall not be less than Rs. 10,000 but which may extend to Rs. 1,00,000 .



S. No.	Head	Section	Compliance	Penalty for Non Compliance
3.	Change of Registered Office	13(3)	Notice of any change in registered office is required to be filed with the Registrar of LLP in eform 15 and any such change shall take effect only upon such filing.	The Limited Liability Partnership and its every partner shall be punishable with fine which shall not be less than Rs. 10,000 but which may extend to Rs. 1, 00,000.
4.	Change of Name	19	A LLP may change its name registered with the Registrar by filing with the Registrar eForm 1 and notice of such change through eForm 3.	Person guilty of offence shall be punishable & liable to a fine which may extend to Rs 5,00,000 but which shall not be less than Rs 5000 and with a further fine which may extend to Rs 50 for every day after the first day after which the default continues.
5.	Name of LLP on Invoice and official Correspondence	21(1)	All invoices and official correspondence of the Limited Liability Partnership shall bear its name, address and registration number and a statement that it is registered with Limited Liability.	The Limited Liability Partnership shall be punishable with fine which shall not be less than Rs 2000 but which may extend to Rs 25,000.
6.	LLP Agreement & Changes there in	23(2)	A Limited Liability Partnership Agreement and any changes made therein shall be filed with the Registrar in eForm 3.	Person guilty of offence shall be punishable shall be liable to a fine which may extend to Rs 5,00,000 but which shall not be less than Rs 5000 and with a further fine which may extend to Rs 50 for every day after the first day after which the default continues.
7.	Change in Partners	25(2)	Where a person becomes or ceases to be a partner or where there is any change in the name or address of a partner, notice of the same signed by the designated partner to be filed through eForm 4 within 30 days of any such change to the Registrar.	The Limited Liability Partnership and every designated partner of the limited liability partnership shall be punishable with fine which shall not be less than Rs 2000 but which may extend to Rs 25,000.
8.	Books of Accounts	34(1)	Limited Liability Partnership shall maintain proper Books of Accounts for each year on cash basis or on accrual basis and according to the Double Entry System of Accounting at its registered office and shall get them audited in accordance with the rules as may be prescribed otherwise exempted by notification of the Central Government	The Limited Liability Partnership shall be punishable with fine which shall not be less than Rs 25,000 but which may extend to Rs 5,00,000 and every designated partner of such limited liability partnership shall be punishable with fine which shall not be less than Rs 10,000 but which may extend to Rs 1,00,000





Regular Compliance

S. No.	Head	Section	Compliance	Penalty for Non Compliance
1	Statement of Accounts & Solvency	34(2)	Limited Liability Partnership shall within a period of six months from the end of every financial year prepare and file a Statement of Account and Solvency with the Registrar in such form and manner and accompanied by such fee as may be prescribed.	The Limited Liability Partnership shall be punishable with fine which shall not be less than Rs 25,000 but which may extend to Rs 5,00,000 and every designated partner of such limited liability partnership shall be punishable with fine which shall not be less than Rs 10,000 but which may extend to Rs 1,00,000
2.	Annual Return	35(1)	Limited Liability Partnership to file an Annual Return to the Registrar of Companies within sixty days of closure of the financial year in such form and manner and accompanied by such fee as may be prescribed.	The Limited Liability Partnership shall be punishable with fine which shall not be less than Rs 25,000 but which may extend to Rs 5,00,000 and every designated partner of such limited liability partnership shall be punishable with fine which shall not be less than Rs 10,000 but which may extend to Rs 1,00,000

The first Financial year for the LLPs incorporated before 01st September 2009 or for the LLPs wherein the LLP Agreement provides for the first financial year to be completed on 31st March 2010, has been ended and now the Compliance regarding the filing of Annual Return is due to be filed before 30th May 2010. The additional fee for filing the return after the due date is Rs. 100 per day. Make your Compliance before 30th May 2010.

FAQ'S – Compliances of LLP



✓ **Who is responsible for compliances under LLP?**

The Designated Partners would be responsible for the doing of all acts, matters and things as are required to be done by the limited liability partnership in respect of compliance of the provisions of this Act.

✓ **The LLP Act 2008 talks about procedure for change in name, registered office of LLP, changes regarding name and address of partners and designated partners has also been provided but nothing is provided regarding change in proposed business of LLP?**

The LLP Agreement is required to specify the business activity as per eform 3 and therefore, whenever the activity needs to be changed, the LLP agreement shall be amended and eForm 3 for intimating the change in the business should be filed with the registrar of LLP.

✓ **What would be the fee for the Compliances in respect of which eForms are required to be filed with the Registrar of LLP?**

The fee for intimation of changes to the Registrar of LLP will be dependent on the Contribution of the LLP.



However the minimum fee is Rs. 50 only in case of LLPs where contribution does not exceed RS. 1 Lakh and the maximum fee for such intimation is Rs. 200 only where contribution of LLP exceeds Rs. 10 Lakh.

✓ **Is there any time limit for filing of the event based compliances?**

The period of any such intimation varies from case to case. However generally it should be intimated with 30 days of occurrence of event.

In case of annual compliance the statement of accounts to be filed within a period of six months from the end of every financial year and the annual return is to be filed within sixty days of closure of the financial year.

✓ **As provided that statement of accounts to be filed within a period of six months from the end of every financial year, in case if a LLP is incorporated on suppose 05th of March 2010 even then LLP has to file the accounts after 31st march 2010 or is there any extension has been provided for the first financial year of LLPs?**

Yes, the definition of financial year in the LLP Act provides that in the case of a limited liability partnership 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. However the term **may** have been used in the definition, the period of first financial year should be defined in the LLP Agreement itself.

✓ **Whether every LLP would be required to maintain and file accounts?**

Every 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 8 shall be filed by every LLP with the Registrar of LLPs every year.

✓ **What are the obligations with reference to the financial disclosures in the LLP?**

The limited liability partnership should ensure the following with reference to financial disclosures:-

- a) It shall maintain 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 such period as may be prescribed in the rules.
- b) A Statement of Account and Solvency for the said financial year as at the last day of the said financial year shall be prepared within a period of six months from the end of each financial year and such statement shall be signed by the designated partners of the limited liability partnership.
- c) Such Statement of Account and Solvency shall be filed with the Registrar every year in such form and manner and accompanied by such fees as may be prescribed in the rules.
- d) The accounts of limited liability partnerships shall be audited in accordance with such rules prescribed.

LLP in News -

Decision on FDI in LLPs likely soon

Source: The Economic Times

Date: 22nd April 2010

NEW DELHI: Inter-ministerial consensus seems to be emerging on allowing FDI in Limited Liability Partnership (LLPs) - a new form of business structure- in sectors where 100% overseas investment is permitted through automatic route. The department of industrial policy and promotion (Dipp), the department of economic affairs and corporate affairs ministry are engaged in consultations on a policy directive on foreign direct investment (FDI) in LLPs, an official said. LLPs are a

hybrid between a company and a partnership firm. As it allows unlimited number of partners with limited liability, it is expected to become popular, especially among consulting and accountancy outfits. "The matter is on fast track...it may be decided soon," the official said. Earlier, the DIPP had some reservations on allowing FDI through automatic route in these firms on security concerns. It had wanted the proposals to be screened by the foreign investment promotion board (FIPB).

Legal updates on LLP



Finance Bill goes through with minor sops in case of Conversions to LLPs

Transfer of shares by shareholders during conversion of a company into a limited liability partnership will be tax neutral, which is expected to encourage shift to this new form of business organization. "The one important and very positive change is the exemption from levy of capital gains tax in the hands of shareholders upon the conversion of a company into a limited liability partnership. Arguably, such a conversion is a tax neutral event as it is, but the clarification is a step in the right direction. One had hoped that the conditions which permit only small companies to convert tax neutral would have been removed."



Global Segment

	Compliance of LLP
LLP UK	Compliance of LLP governed by the provisions of LLP Act 2000 and LLP Regulations 2001
LLP Singapore	Compliance of LLP governed by the provisions of LLP Act 2005.
LLP USA	Compliance of LLP governed by the provisions of Uniform Partnership Act 1996.
LLP India	Compliance of LLP governed by the provisions of LLP Act 2008 & LLP Rules 2009.

Grey Issue



Recently, the LLP Act 2008, completed its one year but in order to be successful form of business, LLP still needs to cover a lot of distance. Even after completion of 1st year, LLP is still not recognized by various authorities, statutes, government departments etc creating hassles for young entrepreneurs, interested in forming LLP. Even, banks have still not understood the concept of LLP and are treating it as partnership. Major authorities like SEBI, IRDA, and NHA have still not recognized LLP, consequently, there is confusion, whether LLP can work as stock broker or whether they can bid for road and other infrastructure projects. Therefore it is necessary, that apart from general public, there is need of creating awareness of LLP within the Government and its other departments and authorities.

Public Opinion



Our Poll of the week "Whether the proposed capital gain provisions in Budget 2010-11, will acts as deterrent towards conversion of companies into LLP" was favored by only 75% audience while 25% audience is of the opinion that the proposed provisions would not hamper the conversion decision of the entrepreneurs.

Whether the proposed cap of 49% FDI in LLPs would encourage the foreign investors to invest in LLPs as compared to the Corporate Structure?

To count **your vote log in** to www.LLPonline.in



Recent Queries – LLP Club



- Whether new business user ID is necessary for appointment of Body Corporate as Designated Partner for any existing LLP? If no, Can we file Form 7 through user id of existing designated partner of the LLP?
- In case if no business has been done in the LLP and even no bill has been raised whether still we need to file the annual accounts and annual return with the registrar of LLP?
- We have incorporated our LLP but till now no billing has been done, whether to initiate the billing the LLP needs to register under the service tax? Besides this what are other registrations which are required for the LLP?
- The basic features of the LLP states that there is no limit for the maximum number of partners but one of the requisite of conversion requires that all the partners of the partnership firm shall become the partners of the LLP, It is provided that no other person would become partner on conversion into an LLP for the simple reason that on conversion, it should be a mirror image." Both the points are contradictory and whether does it means that in case of conversion the number of partners are limited to the number of the existing partners in the firm?
- Whether employees of Government of India and PSUs can form LLP by holding partnership to carry on the business of Communication equipments and services. Is there any difficulty for the Government employees in acting as partner of LLP?
- We are the process of LLP formation wherein the name has been approved. But now one of the proposed nonresident partners is intending to move out of the LLP and instead of himself his mother would act as a partner. Now whether after the name approval is it possible to change the partners? If yes, what would be the procedure?
- What is the meaning of security interest in paragraph 3(a) of fourth schedule of the LLP Act 2008?
- Whether any tax like Capital Gain Tax / Dividend Distribution Tax etc would be leviable on the reserves and surplus in case of conversion of Private Limited Company whose turnover is less than Rs. 60 Lacs in three of the previous years and comprising of 2 members only who will be the partners in the LLP with the same proportion of ownership.

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