KEY AMENDMENTS TO THE LIMITED LIABILITY PARTNERSHIP ACT, 2008

75 Years

MAJMUDAR & PARTNERS

INTERNATIONAL LAWYERS

LEGAL EXCELLENCE SINCE 1943

Raheja Chambers, 2nd floor, Free Press Journal Road,
Nariman Point, Mumbai 400 021, INDIA
Tel: +91 22 6123-7272, Fax: +91 22 6123-7252
Other Offices: Bangalore, New York
Integrated Network Offices: Chennai, Hyderabad and New Delhi
E-mail: mailbox@majmudarindia.com
www.majmudarindia.com

Key amendments to the LLP regime

- On August 9, 2021, the lower house of the Indian Parliament passed the Limited Liability Partnership (Amendment) Bill, 2021 (LLP Bill). Once the LLP Bill receives the assent of the President, it can be notified.

- The LLP Bill is the first amendment to the Limited Liability Partnership Act, 2008 (LLP Act) since its enactment.

- The key changes introduced by the LLP Bill are as follows:

  - *Introduction of small LLPs*

    - ✓ Similar to the concept of small companies under the Companies Act, 2013.
    - ✓ LLPs with partner contribution up to INR2.5 million (approx. US$33,333) and turnover up to INR4 million (approx. US$53,333) can be categorized as small LLPs.
    - ✓ Small LLPs will be liable to pay reduced penalty in certain instances.
    - ✓ Other benefits of registering as a small LLP may be notified under rules.
    - ✓ Proposal to introduce “start up LLPs.”

75 Years
MAJMUDAR & PARTNERS
INTERNATIONAL LAWYERS
LEGAL EXCELLENCE SINCE 1943

Key amendments to the LLP regime

- *Decriminalization of 12 offences*

  ✓ In line with decriminalization of offences under various laws in India, including the Companies Act, 2013.

  ✓ 12 offences under the LLP Act have been decriminalized and will only be subject to monetary penalties.

  ✓ These offences include, compliances for change in partners, change in registered office, and filing of annual return and solvency statement.

  ✓ These offences will now be adjudicated by an Adjudicating Officer to be appointed by the Central government and not the National Company Law Tribunal.

  ✓ Decriminalization of offences is a step in the right direction as corporates should not be subject to criminal prosecution for non-compliances except in instances of fraud.

  ✓ Imprisonment for fraud by partners of an LLP has been increased from 2 years to 5 years.

75 Years
MAJMUDAR & PARTNERS
INTERNATIONAL LAWYERS
LEGAL EXCELLENCE SINCE 1943

Key amendments to the LLP regime

- *Change in requirement for designated partners*

  - ✓ All LLPs are required to have at least 1 designated partner who is a resident of India.

  - ✓ The definition of "resident in India" has been revised to any person who resides in India for at least 120 days during the financial year.

  - ✓ Earlier, any person who had stayed in India for 182 days in the preceding calendar year was considered as a resident of India.

  - ✓ This simplifies the requirement for residential designated partners, more so because many foreign investors are looking to invest in LLPs as opposed to companies.

- *Compounding of offences*

  - ✓ Instead of the Central government, offences which are punishable only with a fine can be compounded by the Regional Director. This will reduce the timelines for compounding proceedings.

  - ✓ Similar offences cannot be compounded within a gap of 3 years.

75 Years
MAJMUDAR & PARTNERS
INTERNATIONAL LAWYERS
LEGAL EXCELLENCE SINCE 1943

Key amendments to the LLP regime

- *Accounting and audit standards*

  ✓ Currently, LLPs are not subject to stringent accounting and audit standards or financial disclosures.

  ✓ The Act will now permit the Central government to prescribe accounting and audit standards for specified classes of LLPs.

  ✓ These standards will be prescribed in consultation with the National Financial Reporting Authority and the Institute of Chartered Accountants of India.

  ✓ <u>As LLPs become a common corporate structure for running businesses in India, the government is seeking to increase regulatory supervision</u>.

- *Introduction of special courts*

  ✓ The Bill proposes to establish special courts to try offences under the LLP Act.

  ✓ <u>This move will further reduce the burden on existing judicial system to try offences in relation to LLPs</u>.

Thank You

MAJMUDAR & PARTNERS
INTERNATIONAL LAWYERS

Raheja Chambers, 2nd floor, Free Press Journal Road,
Nariman Point, Mumbai 400021, INDIA
Tel: +91 22 6123-7272, Fax: +91 22 6123-7252
Other Offices: Bangalore, New York
Integrated Network Offices: Chennai, Hyderabad and New Delhi
E-mail: mailbox@majmudarindia.com
www.majmudarindia.com