

## INTRODUCTION TO LIMITED LIABILITY PARTNERSHIP IN INDIA

Category [Choose a category or type a new one]

The framework of laws & rules dealing with the Limited Liability Partnership (LLP) are contained in the Limited Liability Partnership Act, 2008 (the LLP Act) and the Limited Liability Rules, 2009 (the LLP rules). The Income Tax Act, 1961 was amended by the Finance Act, 2008 and the Finance Act, 2010 to provide for the framework of Taxation of LLP's. The Salient Features of a Limited Liability Partnership (LLP) are :-

PARTICULARS	PARTNERSHIP FIRM	LIMITED LIABILITY PARTNERSHIP	PRIVATE LIMITED COMPANY
Statute	The Indian Partnership Act, 1932	The Limited Liability Partnership Act, 2008	The Companies Act, 1956
Regulated by	Registrar of Firms under the State Government	Registrar of Companies under the Central Government	Registrar of Companies under the Central Government
Registration Formalities	Not Compulsory.	Compulsory.	Compulsory.
Incorporation Document	Partnership Deed	Limited Liability Partnership Agreement	Memorandum of Association (MoA) & Articles of Association (AoA)
Change of Registered Office from one State to another	Allowed	Allowed – Minimum formalities	Allowed – Lot of formalities to be followed.
No. of Participants – Minimum Maximum	Two (2) Twenty (20)	Two (2) Not specified	Two (2) Fifty (50) excluding past & present employees
Maintenance of Accounts & Audit	As per the Partnership Deed.	Accounts are required to be maintained. Audit if turnover exceeds Rs. 40 lakhs.	Compulsory maintenance of accounts and audit.
Filing of Annual Return – Account, etc.	Not required	Yes.	Yes.
Liability of Participants	Unlimited, in all cases	Limited to Capital Contribution, except in case of deliberate fraud	Limited to Capital of the Company.
Admission of Minor as	Minor can be admitted to the benefits of the	Minor cannot be a	Legal Guardian can hold the shares of the

participant.	partnership.	partner in a LLP.	company on behalf of the Minor.
Separate Legal Entity	No.	Yes. Formed as Body Corporate	Yes. Formed as Body Corporate
Common Seal	No common seal	Optional	Compulsory
Perpetual Existence	No.	Yes. Subject to Dissolution & Winding up	Yes. Subject to Dissolution & Winding up
Suits against & by	A Registered Firm can sue & be sued in its own name.	A LLP shall always sue & be sued in its own name.	A Pvt Ltd Company shall always sue & be sued in its own name
Management	By Partners. Working Partners Minimum 1	Designated Partners Minimum 2	Board of Directors Minimum 2
<b>Taxation a.</b> of Income of the Entity	Assessed as a separate & distinct entity under the Income Tax Act, 1961.	Assessed as a separate & distinct entity under the Income Tax Act, 1961.	Assessed as a separate & distinct entity under the Income Tax Act, 1961.
b. Interest on Capital contribution by participants	Allowable as deduction in the hands of Registered Firm subject to limits.	Allowable as deduction in the hands of LLP subject to limits.	Not Allowed as a deduction.
c. Management Remuneration	Allowable as deduction in the hands of Registered Firm subject to limits.	Allowable as deduction in the hands of LLP subject to limits.	Allowable as deduction in the hands of Private Company. No limits.
d. Distribution of Profits	No tax to be paid by the Partnership on distribution. Exempt in the hands of the partners.	No tax to be paid by the LLP on distribution. Exempt in the hands of the partners.	Private Company to pay Dividend Distribution Tax on dividends. Exempt in the hands of the shareholders.
e. Loans & Advances by the Entity to participants	Not Taxable	Not Taxable. Except in case of Private Company converted into LLP – for the first three years after conversion	Taxable as deemed dividend u/s 2(22)(e), if certain conditions are met.

(## – External Links Below::)

Download – [Limited Liability Partnership Act, 2008](#) - [Limited Liability Partnership Rules, 2009](#)

Visit - [e-Governance Website for Filing of LLP Forms](#)