

Everyone is eagerly awaiting the launch of Limited Liability Partnership (LLP). Hon'ble Minister for Corporate Affairs Shri Prem Chand Gupta had earlier announced that registration of LLP will start from 1st of April, 2009. By the time you read this article, this promise would have become reality. The idea that LLP is a suitable form of organization specially for small companies was recognized all over the world. LLP is a very prominent form of business organization in countries like USA, UK, Australia, Singapore and several Gulf countries. The need for LLP form of organization for small scale industries and small and medium enterprises was recognized way back in 1972 by Bhat Committee, which was reiterated in 1992 by the Naik Committee. Shri Abid Hussain Expert Committee strongly recommended LLP form of organization for several small scale industries in 1997 followed by similar recommendations by Shri S.P.Gupta Committee. Naresh Chandra Committee (2003), Dr.J.J.Irani Committee (2005) also recommended LLP form of business organizations with detailed suggestions. Recommendations of these Expert Committees was a driving

force behind MCAs initiative to prepare a Concept Paper on LLP in November, 2005. This led to the introduction of LLP Bill 2006 in Rajya Sabha on 15-12-2006 which was referred to the Parliamentary Standing Committee on Finance, who submitted their detailed suggestions on 27-11-2007. Taking into consideration the suggestions of the Standing Committee, LLP Bill was revised and introduced in the Rajya Sabha on 21-10-2008 as LLP Bill 2008 and subsequently introduced in Lok Sabha on 12-12-2008. The LLP Bill 2008 received the assent of the President of India on 7-1-2009. The Concept Rules on the LLP Bill was posted on the website of MCA www.mca.gov.in inviting suggestions and comments from professionals and businessmen. The final Rules are expected to be notified in the Official Gazette by the time you read this article laying the foundation for incorporation of LLPs in India.

2. LLP can be incorporated with the object to carry on any lawful business for profits. Non-profit organization cannot be

registered under LLP. LLP requires a minimum of two partners without any limit on maximum number. Minimum two designated partners are mandatory who are responsible for compliance with the provisions of LLP and should possess DPIN. In case a designated partner is already having DIN obtained under the Companies Act, 1956, he need not apply for DPIN and the DIN will be valid for LLP also. The concept of capital is absent in LLP. Each partner shall bring his contribution "either in cash or in kind or intangible like business skill" which should be evaluated in terms of money. The mutual rights and liabilities of each partner shall be determined by the partnership agreement which is the basic document covering the operation of LLP. In the absence of a

partnership agreement, Schedule - I shall apply. Each partner is an Agent of LLP and cannot hold other partners liable for his deeds and actions which are outside the ambit of the partnership agreement. The economic right of a partner is transferable without affecting the continuity of partnership. Existing firms/ partnerships falling under the Indian Partnership Act, 1932 can be converted into LLP. Similarly existing Private Limited companies and Unlisted Public Limited companies can be converted into LLP provided there is no subsisting charge on the assets of Private Limited company or Unlisted Public company. This is so because, there is no provision for registration of charge/ mortgage documents under LLP. Statutory audit is not mandatory for small size LLPs having



turnover of less than Rs.40 lakhs or contribution of partners upto Rs.25 lakhs.

3. LLP is a very suitable form of organization for small and medium enterprises and business units in tiny sector. The businessmen should avail of this opportunity and utilize the LLP form of organization in which plenty of operational freedom is provided without much regulation except where LLP is misused. LLP registration is expected to be centrally operated like DIN Cell at the Headquarters.
4. Professional friends are requested to spread awareness of LLP form of business organizations among the business community and adopt the same wherever it is appropriate and suitable for the business activity of the entrepreneurs. ■