

Limited Liability Partnership (Amendment) Bill, 2021: RSTV - Big Picture

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Context

The Union Cabinet has recently approved the amendments to the Limited Liability Partnership Act, 2008 vide the Limited Liability Partnership (Amendment) Bill, 2021. The government introduced in the [Rajya Sabha](#) the Limited Liability Partnership (Amendment) Bill, which seeks to encourage the startup ecosystem and further boost ease of doing business in the country.

Limited Liability Partnership (LLP)

- LLP is an alternative corporate business form that gives the benefits of the limited liability of a company and the flexibility of a partnership.
- The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name.
- The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP.
- Mutual rights and duties of the partners within an LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be. The LLP, however, is not relieved of the liability for its other obligations as a separate entity.

The Limited Liability Partnership (Amendment) Bill, 2021

- The Limited Liability Partnership (Amendment) Bill, 2021 was introduced in Rajya Sabha in July 2021 and the Bill seeks to amend the Limited Liability Partnership Act, 2008.
- The Act provides for regulation of limited liability partnerships.
- The Bill converts certain offences into civil defaults and changes the nature of punishment for these offences and also defines small LLP, provides for appointment of certain adjudicating officers, and establishment of special courts.

Key Highlights

- The bill seeks to decriminalise 12 of these offences. Offences that are more appropriate to be dealt with under other laws are proposed to be omitted from the LLP Act.
- Offences that relate to less serious compliance issues, involving predominantly objective determinations, are proposed to be shifted to the In-House Adjudication Mechanism framework instead of being treated as criminal offences.

- The bill proposes the creation of a class of small LLPs to encourage entrepreneurs. These LLPs will be subject to fewer compliances, reduced fee/additional fee, and smaller penalties in the civil defaults. The amendment allows the LLPs to issue fully secured Non-Convertible Debentures from investors regulated by [SEBI](#) or the RBI.

Overview

- The amendment largely aims at a larger coverage of small and large enterprises and providing them with the benefits of a company as well as traditional partnership firms.

