

FDI in Limited Liability Partnership

The Government of India has reviewed the extant policy on FDI and decided to permit FDI in LLP firms subject to specified conditions.

Meaning of LLP

A Limited Liability Partnership" means a Limited Liability Partnership firm, formed and registered under the Limited Liability Partnership Act, 2008.

Specified Conditions

FDI in LLPs is permitted, subject to the following conditions:

1. FDI in LLPs will be allowed, through the
 - a. Approval route,
 - b. Automatic route: only for LLPs operating in sectors/activities where 100% FDI is allowed and there are no FDI-linked performance related conditions (such as 'Non Banking Finance Companies' or 'Development of Townships, Housing, Built-up infrastructure and Construction-development projects' etc.).
2. LLPs with FDI will not be allowed to operate in agricultural/plantation activity, print media or real estate business.
3. An Indian company, having FDI, will be permitted to make downstream investment in an LLP only if both-the company, as well as the LLP- are operating in sectors where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance related conditions.
4. LLPs with FDI will not be eligible to make any downstream investments.
5. Foreign Capital participation in the capital structure of LLPs will be allowed only by way of cash consideration, received by inward remittance, through normal banking channels or by debit to NRE/FCNR account of the person concerned, maintained with an authorized dealer/authorized bank.
6. Investment in LLPs by Foreign Institutional Investors (FII's) and Foreign Venture Capital Investors (FVCIs) will not be permitted. LLPs will also not be permitted to avail External Commercial Borrowings (ECBs).

7. In case the LLP with FDI has a body corporate that is a designated partner or nominates an individual to act as a designated partner in accordance with the provisions of Section 7 of the LLP Act, 2008, such a body corporate should only be a company registered in India under the Companies Act, 1956 and not any other body, such as an LLP or a trust.
8. For such LLPs, the designated partner should be a "resident in India", as defined under the 'Explanation' to Section 7(1) of the LLP Act, 2008, and also would have to satisfy the definition of "person resident in India", as prescribed under Section 2(v)(i) of the Foreign Exchange Management Act, 1999.
9. The designated partners will be responsible for compliance with all the above conditions and also liable for all penalties imposed on the LLP for their contravention, if any
10. Conversion of a company with FDI, into an LLP, will be allowed only if the above stipulations are met and with the prior approval of FIPB/Government.

Note: FDI in resident entities, other than those mentioned above, is not permitted.