

Presentation By:

CA Sanjay K. Agarwal

Email : agarwal.s.ca@gmail.com

Mob : 9811080342

**LIMITED LIABILITY
PARTNERSHIP-
CONCEPT & BENEFITS**

The background is a solid teal color. In the bottom right corner, there is a stylized, dark teal silhouette of a mountain range with jagged peaks.

Topics to be discussed

- Concept of LLP- introduction, meaning, governance
- Taxation aspects of LLP
- Incorporation
- Advantages/ Disadvantages of LLP
- Conversion:
 - From Company to LLP
 - From partnership firm to LLP
- Miscellaneous Topics/Issues

Meaning

LLP is a corporate business vehicle that enables professional expertise and entrepreneurial initiative to combine and operate in flexible, innovative and efficient manner, *providing benefits of limited liability while allowing its members the flexibility for organizing their internal structure as a partnership.*

Note: In short, LLP is a structure combining features of both a company and a partnership firm.

Governing Laws

LLPs in India are governed by the Limited Liability Partnership Act, 2008 that confers powers on the Central Government to apply the provisions of the Companies Act, 1956 to LLPs. It has been clarified that the provisions of the Indian Partnership Act, 1932 shall not apply to LLPs. Ministry of Corporate Affairs of Government of India shall administer the law.

An Introduction

- Limited Liability Partnership Act, 2008 came into existence by way of notification on 31st March, 2009.
- First LLP was registered on 2nd April, 2009.
- **2629** LLPs registered **till date**.
- Conversion of Companies & Firms into LLP was notified on 22nd May, 2009 to become effective from 31st May, 2009.
- Taxation of LLP's was notified on 22nd July, 2009.

TAX Aspects OF LLP



Taxation of LLPs

- Tax treatment of LLPs to be same as that of 'Partnership Firms'
- As per **S. 2 (23) of Income Tax Act, 1961**, 'partnership' include 'LLP' & 'Partner' includes the partners of LLP.
- As per **S. 2(31) of Income Tax Act, 1961**, 'person' includes a 'firm'. By virtue of amendment to the definition of the term 'firm', LLP would be covered under the definition of 'person'
- As per **[S.10 (2A) of IT Act]**, Partner's share of profit will be exempt Partner's remuneration will be subject to newly proposed limits-

Slab of Book Profit	Remuneration Allowable
On first Rs. 3 lacs or in case of loss	Rs. 1.5 lacs or 90% of book profits, whichever is higher
On balance of book profit	60% of book profits

Taxation of LLPs

- Designated partners must verify & sign on Income Tax Returns. In absence of DPs, any partner can sign & verify [S. 140 of IT Act]
- Liability of partners of LLP in liquidation (Recovery of taxes) : In case LLP is wound up, every partner will be *jointly and severally* liable for payment of taxes due unless he can prove that non-recovery cannot be attributed to his acts of gross neglect, misfeasance or breach of duty on his part. [S. 167C of IT Act inserted w.e.f 1-4-2010]
- Section 44AD is applicable to individuals, firms and HUFs but not applicable to LLPs. Thus, LLP will not be able to avail presumptive taxation schemes u/s 44AD.

Tax implications on conversion of partnership firm to LLP

- A LLP & a general partnership firm is being treated as equivalent (except for recovery purposes) in the Act, the conversion from a general partnership firm to LLP will have no tax implications if:
 - ◆ the rights and obligations of the partners remain the same after conversion &
 - ◆ if there is no transfer of any asset or liability after conversion

- *In case of a violation of given conditions, provisions of sec. 45 shall apply and the conversion would be a taxable event.*

Tax Implications on Conversion of Companies to LLPs

[Ss. 32, 35DDA, 43, 47, 49, 72A & 115JAA]

Finance Act, 2010 exempts conversion of Private or Unlisted Public Cos to LLP from Capital Gains Tax subject to following conditions:

- i. Total Sales < INR 60 Lacs in any of three preceding years*
- ii. Shareholders of Co – Partners in LLP with capital contribution & PSR in same proportion as their shareholding in Co.*
- iii. No consideration apart from Profit sharing in LLP and Capital Contribution*
- iv. All assets and liabilities moves*

contd....

- v. *No amount paid from accumulated profits for 3yrs prd from conversion date, to any partner either directly or indirectly.*
 - vi. *Erstwhile shareholders shares minimum Profits of 50% in LLP for 5 yrs from conversion date*
- *If any of above conditions are not satisfied subsequently, such conversion shall be chargeable to tax in hands of LLP in year of non-compliance*

Impact:- *The exemption continues to be available only to companies with a sales turnover of sixty lakh rupees, which may not be very beneficial for large corporates.*

ISSUE:

☞ *For conversions that do not meet the above criteria, would there be a basis for the taxpayers to argue that no tax liability arises on such conversion.*

contd....

If aforesaid 6 conditions fulfilled, following benefits are granted:

- LLP to continue to enjoy deduction of VRS expenses u/s. 35DDA
- C/F business loss (other than speculative loss) & unabsorbed dep of co. deemed to be loss or dep allowance of LLP of year of conversion & shall be allowed to be set-off / carry forward in the hands of LLP- u/s. 72A(6A) [new insertion by Finance Act,2010, w.e.f 1-4-2011]
- Such c/f business loss or unabsorbed dep to be taxable in LLP in year of non-compliance with any of 6 conditions [proviso to s.72A(6A)]
- LLP not entitled to carry-forward & set-off any MAT Credit which was available to co.

contd....

- 'Cost of Acquisition' & 'WDV' of depreciable assets & 'Cost of Acquisition of other capital assets' in hands of LLP shall be same as they were in hands of co.
- Deprecation pre-conversion will be allowed to predecessor-co. & post-conversion to LLP & aggregate of depreciation allowable to Co. & LLP not to exceed that as would have been allowed had conversion not taken place

[w.e.f. 1-4-2011]

contd....

- Provisions in IT Act, 1961 relating to companies are not applicable to LLPs:
 - LLPs not liable to DDT **u/s 115-O**
 - LLPs not liable to MAT **u/s 115JB**
 - Deemed Dividend **u/s 2 (22) (e)** is not applicable
 - **S. 79** on 'Carry forward & Set-off of Losses in certain cases' is not applicable
- LLPs **not liable to pay surcharge** on income tax like firms

LLP vis a vis DTC

- Similar meaning assigned to the terms 'Partner' and 'Partnership' under the DTC as in the IT Act, 1961.
- Similar provisions are introduced relating to business reorganization or conversion of a company into LLP as in the IT Act.
- Clause 225 in DTC 2010, provides for joint & several liability of partners regarding recovery of tax.
- DTC Bill 2010 exempts companies converting into LLP from MAT & Dividend Distribution Tax

Incorporation Of LLP

How to Acquire DSC ?

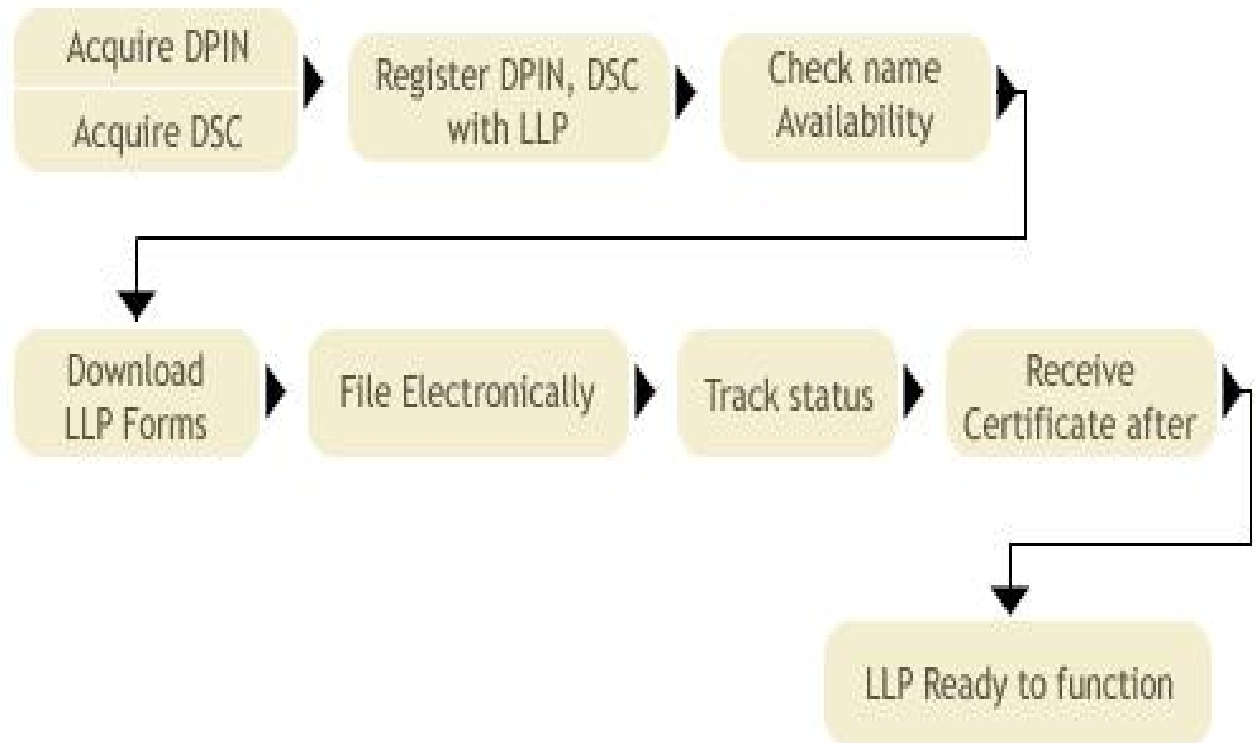
Registrar's Notice Board

Limited Liability Partnership Act
2008 notified on 31.03.2009

Limited Liability Partnership
Rules 2009 notified on
01.04.2009

First LLP registered on
02.04.2009

Process to Start LLP



Incorporation Procedure

- Check availability of name on site 'www.llp.gov.in'
- Acquire Digital Signature Certificate (DSC)
- Acquire DPIN by applying in prescribed 'Form-7'
- Apply for Reservation of Name in prescribed 'Form-1'
- Apply for Incorporation Document in prescribed 'Form-2'

Contd....

contd...

- Alongwith Incorporation Document, submit application for-
 - ◆ Information regarding LLP Agreement in 'Form-3'
 - ◆ Appointment of Persons and their consent as such to act as Partners / DPs in 'Form-4' & 'Form-9', respectively
- Receive Form-2 duly signed by Registrar & certificate from registrar regarding incorporation, within 14 days of filing such documents
- LLP is ready to function

Note: Every LLP shall mandatorily file Form 3 and Form 4 within 30 days of incorporation failing which Rs.100/- per day will be charged as additional fees on each Form.

Incorporation Document

Incorporation Document [S. 11]

- Is among Prime Documents of LLP
- Must be submitted to registrar in 'Form-2' [R. 11]
- **S. 11 (2)** requires particular information to be contained in Incorporation Document-
 - Name of LLP
 - Proposed Business of LLP
 - Address of Registered Office (RO) Names & Addresses of Partners
 - Names & Addresses of DPs
 - Other Information *as may be prescribed*

Contd....

contd...

- RO shall be place of all correspondence for LLP [S. 13 (1)]
 - On Contravening provisions relating to RO, LLP & *its every partner* shall be punishable with fine upto Rs. 25,000 but not less than Rs. 2,000 [S. 13 (4)]

- **Effect of Registration [S. 14]:** LLP will be able to, in its own name-
 - Sue & be sued
 - Acquire, hold & develop or dispose off **any property**
 - **Have common seal**
 - Do & suffer **such other acts & things as bodies corporate may lawfully do or suffer**

contd...

- Name of LLP must end with words 'Limited Liability Partnership' or acronym 'LLP' [S. 15 (1)]
- Change in name of LLP is permissible [S.17]
- Penalty for improper use of words 'Limited Liability Partnership' or 'LLP' [S. 20]
 - Punishable with fine of Rs. 50,000 but may extend upto Rs. 5 Lacs
- Publication of name, address of RO, Registration No. & Statement of limited liability [S. 21]

Major Advantages

➤ **Separate legal entity**

Like a Co. ,LLP shall be a body corporate and a legal entity separate from its partners. It will have perpetual succession.

➤ **Limited liability:**

Liability of a partner of LLP is limited to the extent of his contribution in the LLP. Partner of an LLP does not incur any personal liability for the wrongful act or omission of any other partner. However, liability is unlimited in case of partnership.

contd...

➤ **Flexible Management Structure and Flexible Profit distribution of the partnership:**

The flexibility of management means that there are no mandatory board meetings or general meeting and there are few legal and procedural requirements to be followed by LLP. The provisions of Indian partnership Act, 1932 do not apply to LLP's. The LLP Act, 2008 has not superceded the Indian Partnership Act, 1932 and partnership firms can continue to be formed and governed under the said Act.

contd...

- No minimum capital requirement as in the case of companies.
- LLP enjoys full freedom in the matter of conducting its business and operations free from any regimen, unlike a company which is subject to a strict regulatory mechanism.

Note: First schedule to LLP Act sets out certain matters relating to the mutual rights and duties of partners and LLP. However, these shall apply only in the absence of agreement among the partners on that matter and thus binding otherwise.

contd...

- No restriction on the maximum no. of partners as in the case of partnership firm. This gives an LLP total flexibility to enlist any no. of partners to strengthen different aspects of its business and operations with the help of experts in related fields and disciplines.
- **A designated partner** is made responsible for various compliances and filing requirements of the LLP and the penalties incurred by the LLP for any contravention of the LLP Act provision and ***not other partners.***

Disadvantages

- Any act of the partner without the other partner, may bind the LLP
- Cannot raise money from Public.
- Treaty Benefits are restricted.
- Presumptive taxation provisions u/s 44AD not applicable.
- *Hefty penalties may act as a deterrent.*

Conversion of Existing Entities

- Firms, private limited companies and unlisted public limited companies are allowed to be converted into LLP.
- Compromise and other arrangements possible like merger, amalgamations, etc.

Conversion of Firm to LLP

➤ *upon such conversion the partnership firm shall deemed to dissolved and all the assets and liabilities of the firm shall be transferred to, and vest with LLP.*

Procedure of Conversion:

➤ *Obtain DPIN*

➤ *Reserve name of proposed LLP*

➤ *Apply to Registrar in **Form No. 17** online duly signed by proposed Designated Partner. This application should also be verified by a Practicing Company Secretary.*

Conversion of Firm to LLP

Following documents shall be attached with this Form:

- Consent of each of the partners of the firm.
- Duly filled in Form No. 2,3 and 4.
- No Objection Certificate from Tax authorities.
- In case of Professional Firms, approval from governing Council of relevant body.
- Consent of Creditors.

Conversion of Firm to LLP

- ROC must issue certificate of registration in 'Form-19' on fulfilment of conditions that all the partners of the firm become partners of LLP [R. 32 (1)]
- Upon receipt of 'Form-19', LLP must apply, within 15 days of registration, to Registrar of Firms to strike-out name of Firm in prescribed 'Form-14' [R. 33 & 38 (3)]

Note: For 'Conversion of Firm to LLP', the relevant Rule 38 is notified vide Notification no. S.O. 1324(E) dated May 22nd, 2009 w.e.f May 31st, 2009

Conversion of Companies to LLP

Section 56 & Third Schedule (for private companies) & Section 57 & Fourth Schedule (for unlisted public companies)

- **Company can be converted into LLP provided-**
 - All partners of LLP must be shareholders of that company & no one else
 - There is no security interest in its assets
- **Upon conversion, all assets & liabilities get vested in LLP and principally all other provisions are similar as that for firms**

Note: If a private ltd company has given its assets as security for any loan, advance etc. it is not eligible for conversion into a LLP.

Conversion of Companies to LLP

- Listed Public Company cannot be converted into LLP
- **Application for conversion to be made to ROC in prescribed 'Form-18 (Part A)' alongwith Statement of Shareholders in 'Form-18 (Part B)' [R. 39(1) & 40(1)]**
- Same procedures as regards conversion of Firms

Above referred Sections & Relevant Schedules are notified vide notification no. S.O. 1323 (E) w.e.f May 31st, 2009

For 'Conversion of Companies to LLP', the relevant Rules 39 & 40 are notified vide Notification no. S.O. 1324(E) dated May 22nd, 2009 w.e.f May 31st, 2009

Conversions to LLPs

Company Law Board notified to address all appeals / applications against refusal to register LLPs upon conversion till such time the National Company Law Tribunal (NCLT) is constituted

[vide Notification no. G.S.R. 385 (E) and 386 (E) dated June 4th, 2009]

Conversion of LLP to Company ??

- Part IX of the Cos. act, 1956 permits companies, associations, societies or partnership firms to register themselves as Co.
- Same way LLP can be registered as a Co. u/s 568 of part IX of Cos. Act
- An LLP consisting of ≥ 7 partners not being organized as a Joint Stock Co. can be registered as a Co. limited by shares
- On registration, all the provisions contained in any act of parliament or other Indian Law or other instrument constituting or regulating the company will be applicable

MISCELLANEOUS ISSUES



Liability of LLP & Partners

- Just like partnership, every partner is an agent; not of other partners but of LLP [S. 26]
- LLP not bound by unauthorized acts of partners in dealing with person if that person knows that the partner had no authority or did not know him to be partner of LLP [S. 27 (1)]
- LLP liable in respect of wrongful acts or omissions of partners in course of its business or with its authority [S. 27 (2)]
- Obligation of LLP is solely an obligation of LLP & shall be met out of property of LLP [S. 27 (3) & (4)]
- Partners not personally liable [S. 28 (1)]
- Liability of partner(s) committing wrongful acts or omissions will be unlimited [S. 28 (2)]

Liability of LLP & Partners

Unlimited Liability in case of fraud [S. 30]

- If fraud done with knowledge / authority of LLP, LLP's & partner's liability will be unlimited. LLP's liability = Partner's liability
- Otherwise, LLP will not be liable
- Imprisonment for 2 years & fine upto Rs. 5 Lacs

Concept of whistle blowing

Section 31: Provide that the Court or Tribunal may reduce or waive any penalty leviable

against any partner or employee of a LLP
in case

such partner or employee has provided **useful information** during investigation of such LLP *for finding out the offence.*

- further provided that **no such partner or employee** (i.e the whistle- blower) shall be discharged, demoted, suspended, threatened, harassed or in any other manner discriminated merely because of his providing information to the Court or Tribunal. [**sec. 31(2)**]

Concept of whistle blowing

What constitutes useful information:

- *may be the information whether or not during investigation*
- *what information could be 'useful' is left to the discretion of court or Tribunal, or*
- *an information which leads to conviction of LLP or its partner or employee*

Note: *The purpose of section 31 is to create a mechanism whereby the frauds committed by an LLP may be detected at the least cost to the Govt. and to the society.*

Accounts & Audit

- Every LLP is to maintain proper books of account.
- Required to follow financial year from 1st April of a year to 31st March of the following year.
- Required to prepare a Statement of Account and Solvency for every financial year in the prescribed manner within six months from the end of each financial year and such statement is to be signed by the designated partners.
- LLP to file the Statement of Account and Solvency with the Registrar.

Accounts & Audit

- LLP accounts are required to be audited, if its turnover exceeds 4 Million INR, in any financial year or shareholders contribution exceed 2.5 Million INR.
- Required to file an annual return with the Registrar within 60 days of closure of its financial year. **[in form 11]**
- All accounts and other documents shall be available to public for inspection.

Designated Partners

- LLP shall have at least two individuals as **Designated Partners**; at least one of them should be a **resident** in India. **[section 7(1) of LLP Act]**
- Designated Partners should obtain Designated Partner Identification Number (DPIN) from the Ministry of Corporate Affairs, Government of India.
- At least one of the designated partners should have Digital Signature Certificate (DSC) as forms relating to incorporation and thereafter are to be filed online after being digitally signed.

Designated Partners

Responsibilities & Liabilities of DPs [S. 8]

- Responsible for doing all acts, matters & things required to be done by LLP w.r.t compliance of LLP Act including filing of any document, return, statement & like report under LLP Act & as specified in LLP Agreement
- Liable to all penalties imposed on LLP for any contravention of above

Designated Partners

➤ **Changes in DPs [S. 9]**

- LLP to appoint DP within 30 days of vacancy
- If no DP is appointed or if, at any time, there is only 1 DP, each partner shall be deemed to be a DP

➤ **Penalty for Contravention [S. 10]**

- For **S. 7 (1)**: LLP & its every partner shall be fined > Rs. 10,000 (Maximum Rs. 5 Lacs)
- For **Ss. 7 (4) & (5), 8 & 9**: LLP & its every partner shall be fined > Rs. 10,000 (Maximum Rs. 1 Lac)

Designated Partners

Disqualifications of DPs

- **R. 9 (1):** No person can be DP of LLP, if-
 - He is adjudged as insolvent within preceding 5 years
 - He has suspended payment to his creditors & not made any composition with them within preceding 5 years
 - He is convicted by Court for any offence including moral turpitude & sentenced to imprisonment not less than 6 months
 - He is convicted by Court for offence under Section 30 of LLP Act

First Schedule

Relates to mutual rights & duties between partners & LLP & its partners absence of Agreement on such matters

- **Partners** of LLP entitled to share equally in capital & profits / losses
- **Partners** shall be indemnified by LLP in respect of payments made & liabilities incurred by him-
 - In ordinary & proper conduct of business of LLP
 - In anything necessarily done for Preservation of business or property of LLP
- **LLP** shall be indemnified by Partners for any loss caused by his fraud in conduct of business of LLP

contd..

- Partners may participate in management **of LLP**
- **Partners shall not be entitled to any remuneration for acting in business or management of LLP**
- No partner may be introduced without consent **of all other partners**
- **Any ordinary matter regarding LLP may be** decided by resolution passed by majority of partners. **However,** change in nature of business **may be** decided only by consent of all partners
- ◆ Every decision taken **by LLP** be recorded in minutes within 30 days **of such decision**

- Minute Book be maintained & kept at RO of LLP
- Partners must render true accounts & full information of all things **affecting LLP to any partner or his legal representative**
- Partners to account for & pay over all profits earned from business of similar nature & competing with LLP, **to LLP if there is no consent from LLP in that respect**
- Partners to account to LLP for any benefit derived by him without LLP's consent, **from any transaction concerning LLP or from use of name, property or business connection of LLP**
- No partner may be expelled by a majority **unless there is an express power conferred by LLP Agreement to do so**
- All disputes **which cannot be resolved by LLP Agreement can be referred to for arbitration as per Arbitration and Conciliation Act, 1996**

Winding Up

The winding up of LLP may be either:

- voluntarily or
- by the order of the Tribunal, to be established.

Till the Tribunal is established, the powers shall vest with the jurisdictional High Courts.

Foreign LLPs

Foreign Limited Liability Partnerships [S. 59]

-means a LLP which is formed, registered or incorporated outside India and which establishes a place of business in India

-LLP Act gives power to CG to make rules for establishment of place of business of Foreign LLPs & conduct of business

-Rules regarding setting up of Foreign LLPs in India is provided in **Chapter XI of LLP Rules, 2009**

Comparison with Companies at a glance

Basis	Company	LLP
Governing Law	Companies Act, 1956	Limited Liability Partnership Act, 2008
Name	Must contain suffix 'Ltd' or 'Pvt Ltd'	Must contain suffix 'LLP'
Common Seal	Common Seal is compulsory	Common Seal is optional
Organizational Structure	Rigid & governed by Companies Act	Flexible & governed by LLP Agreement
Appointment of Auditors	Specific Resolution required for appointment of auditors at every AGM	Auditors shall be deemed to be re-appointed in case no specific appointment is made (unless otherwise decided)

Decision making	BOD through Board Resolution	Partnership agreement
Minimum capital requirement	A Co. is required to have prescribed minimum paid-up capital	No requirement of minimum capital.
Audit	All companies are subject to audit of accounts	Only LLPs having turnover of more than Rs. 40 Lacs or contribution of more than Rs. 25 Lacs are subject to audit of accounts

Comparison with Partnership Firms at a glance

Basis	Partnership Firms	LLP
Governing Law	Partnership Act, 1932	LLP Act, 2008
Registration	Not Compulsory; but is preferred	Compulsory
Creation	By partnership Agreement	By Law
Legal Status	Partners collectively known as 'Firm'; no separate legal status	LLP has separate legal status apart from partners

Comparison with Partnership Firms

Succession	Firm would cease to exist on change in partnership, unless otherwise provided in agreement	LLP would not be affected on change in partnership (Perpetual Succession)
<u>Liability of Partners</u>	<u>Unlimited</u>	<u>Limited</u>
Minor's Position	Minor can be admitted to benefits of Partnership	Law silent on position of Minors
Presumptive taxation	available	Restricted u/s 44AD

Some Issues

☞ Companies can apply for conversion only if there is no Security Interest on its assets

Why introduce a restrictive clause in case of Companies?

☞ Whether Stamp Duty is payable on Incorporation of LLPs? **If so, how much?**

☞ Whether Companies & Firms will be exempt from Stamp Duties upon conversion to LLPs?

It must be noted that Stamp Duties are legislations of respective States & therefore clarity is needed from them

Some Issues

According to S. 71, provisions of LLP Act will not be in derogation to provisions of other Acts

☞ The question which arises is as to whether CAs are allowed to form LLPs or convert their firms into LLPs?

Corresponding amendments in The Chartered Accountants Act are in pipeline to resolve the issue.

Some Issues

- ☞ If firm of CAs convert into LLP, what will be auditee's stand?
- ☞ Does conversion amount to 'Casual Vacancy' as per Companies Act?
- ☞ Would another resolution be required to appoint an LLP as auditors?
- ☞ As per **Clause 14** of Second Schedule, appointment of firm in any role or capacity shall operate as if LLP was appointed
 - Effect of such Clause?

Some Issues

☞ WHETHER FOREIGNERS CAN INVEST IN LLPs?

- ◆ FEM (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 do not provide for investments in LLPs by foreign individuals / companies.
- ◆ FEM (Investment in firm or proprietary concern in India) Regulations, 2000 provide for investments in proprietary concern or firm by NRIs / PIOs on non-repatriation basis subject to certain conditions. It is not clear whether LLPs are covered

Some Issues

- ◆ Appropriate amendments is required to enable foreign individuals / companies to invest in LLPs
- ◆ **Recent news** - Foreign direct investment in the new form of business, limited liability partnerships, could be allowed without a cap, a highly placed source told PTI. "The officials have reached a consensus for 100 per cent FDI in LLPs," he said – **published in Business standards 19.07.2010**

Some Issues

- ◆ **Also, as per FEM (Transfer or Issues of any Foreign Security) Regulations, 2004 provide for Overseas Investment by 'Indian Party'**
- ◆ **Reg. 2 (k) defines 'Indian Party' to mean 'a company or a body created under an Act of Parliament or a partnership firm registered under the Indian Partnership Act, 1932'. However, LLP is neither of above**
- ◆ **Hence, an amendment in the above regulations is required in order to facilitate overseas investments by LLPs**

Some Issues

- ☞ **S. 36 of** LLP Act provides for inspection of all documents including Statement of Accounts & Solvency filed by LLP with ROC, by any person
- ◆ Question arises as to whether this is acceptable to Professional Firms like lawyers, CAs, CWAs, etc?

- ☞ As per **Clause 5** of Second Schedule, LLP, upon receipt of '**Form-19**' from ROC must submit an application to concerned Registrar of Firms in prescribed '**Form-14**' for striking-out name of Firm from its Records
- ◆ Is this required in case of Unregistered Firms?

Issue

- ☞ Whether an entity which has objectives like “charitable or other not for profit objectives” would be able to set up under LLP Act?
- ◆ No. The essential requirement for setting LLP is ‘carrying on a lawful business **with a view to profit**’.

RECENT NEWS

Finmin, Reserve Bank close foreign loan window for LLPs [Published in Economic Times on 28.10.2010]

- *Suggestion could discourage big firms from switching to this form of business.*
- The Finance Ministry and the RBI have opposed changes in the ECB policy to allow overseas borrowings by LLPs, while responding to a discussion paper on this form of business put out by DIPP, the policy making body on foreign investment.
- The Central bank is also reluctant to open the external borrowings window more in the face of growing capital inflows.

RECENT NEWS

Foreigners may get to set up LLPs in sectors open to FDI

- DIPP has suggested that foreign investments be allowed in LLPs with prior approval in sectors where 100% FDI is allowed
- Foreign Investments not to be allowed in sectors -
 - such as real estate where conditions such as minimum capitalisation and lock-in period are applicable or
 - where FDI is prohibited or restricted with caps on investment
- A discussion paper is expected to be put up in public domain soon, said a government official privy to the discussions

[- published in Economic Times 25.08.2010]

Thank You

CA Sanjay K. Agarwal