



**TAX N LEGAL
PARTNERS**
ADVOCATES & SOLICITORS

Bill Analysis: Limited Liability Partnership (Amendment) Bill, 2021

The Limited Liability Partnership Act was enacted in the year 2008 to provide an alternate structure of doing business. Limited Liability Partnerships (“LLPs”) have a relaxed compliance regime as compared to that of companies, and they bring the security of limited liability to the partners unavailable to regular partnership firms. Due to this reason, LLPs have become the preferred business structure for MSMEs. Recently, Limited Liability Partnership (Amendment) Bill, 2021 was passed by both the houses of Parliament and at the time of writing this article, the Bill is waiting for presidential approval. An attempt is made here to highlight the important amendments brought by the Bill.

Small LLP

The Bill introduces “Small Limited Liability Partnership”. For an LLP to qualify as a Small LLP, contribution to it must not exceed ₹25 lakh¹ and its turnover must not exceed ₹40 lakh^{2,3}. Since Small LLPs are introduced on the lines of “Small Companies” under the company law, it is expected that Small LLPs will have even more relaxed compliance regime as compared to regular LLPs. Moreover, penalties payable on non-compliance by small LLPs (or their partners) will be half of the penalties payable by regular LLPs, capped at ₹1 lakh.⁴

¹ This limit may be increased to ₹5 crore.

² This limit may be increased to ₹50 crore.

³ Limited Liability Partnership (Amendment) Bill, 2021 cl 3(g).

⁴ Limited Liability Partnership (Amendment) Bill, 2021 cl 25.

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Decriminalization of offences

Last year, the company law was amended to decriminalize various offences in an attempt to push businesses into organized structures. Similarly, the Bill converts various offences into civil defaults.⁵ This makes incorporation of LLPs more attractive by alleviating the fear of criminal liability caused by inadvertent non-compliances like failure in filing annual returns.⁶ At the same time, criminal liability has been increased with imprisonment up to 5 years if any business is carried on for fraudulent purposes.⁷

Remaining offences, if only punishable with fine, will now be compoundable by the Central Government upon payment of the sum of fine.⁸ Application for compounding the offence is to be made to the Registrar who will forward it to the Regional Director.⁹ Offences can be compounded even before the initiation of criminal prosecution.

Adjudicating Officers and Special Courts

For the purposes of adjudging penalties, the Central Government would appoint adjudicating officers who will have to afford an opportunity of being heard before imposing penalties.¹⁰ Appeal from the orders of the adjudicating officers will lie before the Regional Director.¹¹

Special Courts would also be established by the Central Government for providing speedy trial of offences and until they are notified, Special Courts under the company law will try the offences.¹² Only these Special Courts can take cognizance of offences under the LLP Act, 2008.¹³ The special court may also summarily try any offence punishable with imprisonment for a term not exceeding three years.¹⁴

⁵ Limited Liability Partnership (Amendment) Bill, 2021 cl 5-6, 10-11, 13, 15, 17-18, 24.

⁶ Limited Liability Partnership (Amendment) Bill, 2021 cl 15.

⁷ Limited Liability Partnership (Amendment) Bill, 2021 cl 12.

⁸ Limited Liability Partnership (Amendment) Bill, 2021 cl 16.

⁹ Limited Liability Partnership (Amendment) Bill, 2021 cl 16.

¹⁰ Limited Liability Partnership (Amendment) Bill, 2021 cl 25.

¹¹ Limited Liability Partnership (Amendment) Bill, 2021 cl 25.

¹² Limited Liability Partnership (Amendment) Bill, 2021 cl 19.

¹³ Limited Liability Partnership (Amendment) Bill, 2021 cl 26.

¹⁴ Limited Liability Partnership (Amendment) Bill, 2021 cl 19.

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