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LLP FORMATION

CHECKLIST

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**LLP FORMATION**

Limited Liability Partnership (LLP) is a type of organization in which each partner’s liability is limited to the extent of his/her shareholding. It is formed under the Limited Liability Partnership Act 2008. LLP can be set up by a minimum of two partners and a minimum of two designated partners (Partners can be designated partners)

**Benefits of setting up an LLP:**

(What are some benefits of setting up an LLP?

• Limited Liability Partnership (LLP) firm is a combination of partnership firm and private limited company, hence LLP enjoys benefits of both types of organizations.

• Partners have limited liabilities.

• It has a separate legal entity.

• It is a legal entity and can purchase assets in its name.

• The cost of forming an LLP is lower as compared to that of a Company.

• LLP should have a minimum of two partners but the maximum limit of partners has not been specified.

• As compared to a private company, the number of compliances is on the lesser side in case of an LLP.

**List of documents and information required to set up an LLP:**

(Which documents and information should be kept ready while setting up an LLP?)

1. Name of the partners (Partners should be legally competent to enter into an agreement and should be of age 18 or above).

2. The total number of partners.

3. Address proof and identity proof of the partners (Aadhar Card and PAN card is compulsory ).

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4. Designated Partners’ profit and loss sharing ratio.

5. Duration of LLP.

6. Initial contribution amount.

7. Contribution by each partner.

8. Profit-sharing percentage of each partner.

9. Address proof of the place of **­**business.

10. Proposed name of the LLP.

11. Nature of the business.

12. Date of commencement of business.

13. Commission/Salaries, if any payable to each Designated Partner.

14. Responsibilities, duties, obligations, etc. of each partner.

15. Registered LLP Agreement.

For setting up an LLP, following e-forms are to be filed through the Ministry of Corporate Affairs (MCA) website:

• Form 1: Application for reservation of name.

• Form 2: Incorporation document and subscriber’s statement.

• Form 3: Information with regard to the limited liability partnership agreement.

(Forms are available on http://www.mca.gov.in/MinistryV2/llpformsdownload.html link)

**Note:** The procedure, information and documents required to set up an LLP may vary as per any amendments in the Limited Liability Partnership Act, 2008 or the e-form filing procedures and requirements of MCA website.

**FAQs**

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**Q: Is there a maximum limit for the number of partners for an LLP?**

A - There is no maximum limit for the number of partners for an LLP.

**Q: How is an LLP different for Partnership Firm?**

A - Here are some differences between an LLP and Partnership firm:

a. LLP is a combination of a Partnership firm and a Company.

b. In case of Partnership firm, there can be a maximum of 20 partners, but there is no such maximum limit for LLP.

c. As LLP is a separate legal entity, the liability of its partners is limited to the amount of contribution in the LLP. Whereas in case of Partnership firm the partner and the firm are not considered as a separate entity, hence, the liability of partners is unlimited and joint.

d. An LLP has to file its financial statements and annual report with MCA. This is not applicable to a Partnership firm.

**Q: Is there any minimum contribution requirement to set up an LLP?**

A - There is no minimum contribution limit to start an LLP.

**Q: How is the internal working and management of the LLP decided?**

A - The internal working and management of an LLP are as per the LLP deed and applicable rules, regulations and sections of LLP Act 2008.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Characteristics** | **Proprietary Concern** | **Partnership Firm** | **LLP** | **OPC** | **Pvt. Ltd. Company** |
| **Legal Entity** | No separate legal entity | Separate legal entity | Separate legal entity | Separate legal entity | Separate legal entity |
| **Governing Act** | No speciﬁc act | Indian Partnership Act,1932 | LLP Act, 2008 | Companies Act, 2013 | Companies Act, 2013 |
| **Liability** | Unlimited | Unlimited | Limited | Limited | Limited |
| **No. of Members** | One person can form | 2 or more partners, 10 for banking, 20 for non-banking | 2 or more partners | 1 Member  and 1 nominee | Max 200 members |
| **Succession** | Legal Heir | Remaining partners and legal Heir of Deceased partner with the consent of other partners. | Remaining partners | Nominee (A company has perpetual succession) | A company has perpetual succession. |
| **Dissolution** | The proprietor has the sole authority. | With the consent of partners | With the consent of partners | Legal procedures for winding up or liquidation as the case may be | Legal procedures for winding up or liquidation as the case may be |
| **Filing of ﬁnancials with regulatory authorities.** | Not Applicable | Not Applicable | Financial statements are to be ﬁled annually with Registrar of Companies | Financial statements are to be ﬁled annually with Registrar of Companies | Financial statements are to be ﬁled annually with Registrar of Companies |

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**Good Luck**

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