

KEY FEATURES OF LIMITED LIABILITY PARTNERSHIP (AMENDMENT) ACT, 2021

In the Budget 2021, our Hon'ble FM announced about Amendment in LLP Act. In reference of the same, Cabinet passed **LLP Amendment Bill, 2021** on Wednesday, 28th July, 2021. This is the first time that changes are being made to **the LLP Act, 2008** ("Principal Act") since it came into effect.

The Amendment seeks to facilitate **greater ease of doing business to LLPs** in order to **encourage start-ups** and to **remove the fear of criminal prosecutions** for minor and procedural omissions and commissions in the normal course of their business transactions.

A. AMMENDMENTS – Changes in the Principal Act

S.NO.	PARTICULARS	BEFORE AMENDMENT	AFTER AMENDMENT
1	Reduction in days for residential status of designated partners (section 7 of Principal Act)	Every LLP shall have at least two designated partners who are individuals and at least one of them shall be a resident in India . The term "resident in India" means a person who has stayed in India for period of - not less than 182 days during the immediately preceding one year.	not less than 120 days during the financial year
2	De-criminalization of offences	The Act decriminalizes 12 such offences . These offences will be shifted to In-house Adjudication Mechanism (IAM) instead of being treated as criminal offences. There were 24 penal provisions, 21 are compoundable offences and 3 are non-compoundable offences.	The penal provisions will be cut to 22 with compoundable offences reduced to 7 and non-compoundable offences will remain the same.
3	Change in name of LLP (Section 17 of Principal Act)	The CG may direct an LLP to change its name, if its name is undesirable or identical to an existing LLP or a registered trademark. If the company fails to comply- LLP and designated partner shall be liable to fine	CG shall allot a new name to the company in the prescribed manner and the Registrar of companies shall enter the new name in the register of LLP in place of the old name
4	Stringent provision in case of fraud (Section 30 of Principal Act)	If an LLP or its partners carry out an activity to defraud their creditors, or for any other fraudulent purpose, every person who was knowingly a party to the act, is punishable with imprisonment and a fine between Rs 50,000 and five lakh rupees . The Bill also increases the maximum term of imprisonment. Imprisonment upto 2 years	Imprisonment upto 5 years
5	Relaxation in late fees for filing documents & returns (Section 69 of Pricpal Act)	This section has been amended with a view to provide relaxation in filing fees on delayed filing of documents or return.	

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		Any document or return to be filed by LLP with the registrar may be filed with a delay up to 300 days from the due date on payment of additional fees of Rs. 100 per day.	<i>It is provided that different fee or additional fee may be prescribed for different classes of LLPs or different documents or returns required to be filed under the LLP Act.</i>
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B. AMENDMENTS - New Insertions

1. INTRODUCTION OF SMALL LLPs

A new concept of Small LLPs is introduced in the Amendment Act in order to **provide benefits in the form of lesser compliances, lesser fee and lesser penalties** in the event of default.

Hence, small LLP means LLP having -

- **Contribution not exceeding Rs. 25 lakhs** [limit may be increased up to 5 crores by CG] **and**
- the **Turnover not exceeding Rs. 40 lakhs** as per the Statement of Accounts and Solvency of immediately preceding financial year [limit may be increased up to 50 crores by CG]

2. ACCOUNTING STANDARDS

The **central government may prescribe the standards of accounting and auditing for classes of LLPs**, in consultation with the National Financial Reporting Authority as recommended by the Institute of Chartered Accountants of India

3. ADJUDICATING OFFICERS -

The Central Government **may appoint adjudicating officers** (not below the rank of Registrar) for the **purpose of awarding penalties** in the matters of non-compliance or defaults under the LLP Act. Any person aggrieved by the order of Adjudicating Officer may prefer an appeal to jurisdictional Regional Director.

4. SPECIAL COURT

- The CG to establish special courts for ensuring speedy trial of offences under the Act.
- The special courts will **consist of a sessions judge or an additional sessions judge**, for offences punishable with imprisonment of three years or more and a **metropolitan magistrate or a judicial magistrate** for other offences.
- The decision of these special courts can be **appealed in high courts**.

5. NATIONAL COMPANY LAW APPELLATE TRIBUNAL

Appeals against orders of the NCLT lie with the National Company Law Appellate Tribunal (NCLAT) within 60 days.

6. COMPOUNDING OF OFFENCE

The **central government may compound any offence under the Act which is punishable only with a fine**. The amount imposed may be up to the maximum fine prescribed for the offence.

If any offence by an LLP or its partners is compounded, then a **similar offence cannot be compounded within a period of 3 years**

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