

Setting up a Limited Liability Partnership in India – Registration and Process

written by King Stubb & Kasiva | December 29, 2022



Do you intend to launch a Limited Liability Partnership in India as your first business venture? As it combines the advantages of both a partnership business and a corporation into one type of organisation, setting up a LLP in India has become a popular option among entrepreneurs and start-up businessmen.

For setting up a LLP in India, there should be a minimum of two selected partners who are individuals and at least one among them is to be a resident of India. The LLP agreement establishes the rights and obligations of chosen partners and they are solely accountable for ensuring that the LLP agreement's terms have complied with LLP Act's 2008 regulations.

If you are looking to set up a Limited Liability Partnership in India, it has its own advantages and disadvantages and it is always wise to read up on them before planning on setting up a LLP in India.

Advantages of setting up a LLP in India-

- The procedure for setting up a LLP in India is less formal and easier to begin and manage as compared to setting up a company in India.
- Its registration fee and incorporation costs are lower than setting up a company in India.
- LLPs minimum capital requirement is very minimum.
- There is no mandate for a mandatory/compulsory audit.
- The LLP partners' liability would be restricted to the amount of their agreed-upon contribution.
- The Annual ROC compliance in a Limited Liability Partnership in India is lower than setting up a company in India.
- The nature of an LLP is versatile and adaptable in both structure and

operation, it is a better tool for both venture capital investment and small businesses.

Disadvantages of LLP in India-

- The biggest downside of an LLP is that it must file an income tax return (IT Return) and an MCA annual return each year, even if it has no activity. If it does not, it could have to pay a steep fine.
- There must be a minimum of at least two partners for a limited liability company.
- Since there are two partners, The LLP could need to be dissolved if one of the partners decides to quit the partnership.
- For a transfer of ownership rights, a partner must seek the agreement of all other partners.

LLP Registration Process includes the following steps-

1. Getting a certificate for a digital signature (DSC) - The approved partners must digitally sign the LLP incorporation application. As a result, every authorised partner must get their unique Digital Signature Certificate (or "DSC") from a certifying body is possible (CA).
2. The application must be submitted using Form DIR-3, which is available on the MCA website - To the form, you will be asked to attach the scanned copies of the required papers (often Aadhaar and PAN). Along with this, the application must be signed by either the Managing Director, Director, CEO, or CFO of the current business in which the applicant will be appointed as a director, or by a company secretary who works full-time for the firm.
3. Approval of the name- LLP-RUN (Limited Liability Partnership - Reserve Unique Name) forms is filed to reserve the name of a proposed LLP; the name cannot already be in use, and you may use the MCA portal's free name search tool to choose a suitable name. There is a clause that allows for two potential names for the LLP. This must be submitted with the prescribed fees," which the registrar may accept or refuse. Within 15 days, a second submission of the form may be made in order to fix the errors.
4. Incorporation of a Limited Liability Partnership in India - After the name has been approved, an electronic form must be filled out together with the necessary paperwork to incorporate LLP. The incorporation form can be used to make these changes if a selected partner does not have a DIN (Director Identification Number) or if the name has not yet been reserved. Following e-form approval, a certificate of incorporation will be created.
5. Agreement for a Limited Liability Partnership is submitted - The LLP agreement must be submitted in e-Form 3 once the LLP has been incorporated. The reciprocal rights and obligations between the LLP and the partners are outlined in the agreement. The amount of the stamp paper varies from state to state, and the agreement must be signed on it.

Documents required for LLP registration are of two types-

1. Documents for Partners –
 - ID Proof- The essential ID proof for partners is their PAN card.
 - Address Proof- Partners' address proofs may be in the form of an Aadhar card, voter ID, passport, or driver's licence. The name and other information should exactly match what is on the PAN card.
 - Residency Proof- Recent bank statements, phone bills, cell phone bills, energy bills, or gas bills should be supplied as residency verification for partners.
 - Photograph - Partners should also provide a passport-size photo of

themselves, preferably against a white backdrop.

- Foreign nationals or NRIs must additionally produce proof of address, which might be a driver's licence, bank statement, residency card, or any other government-issued identity evidence that includes an address.

2. Documents for LLP -

- Within 30 days of formation or at the time of registration, you must provide proof of your company's registered office address.
- If the registered office is leased, a rent agreement and a landlord's no objection certificate must be provided. The landlord's permission for the LLP to utilise the location as its "registered office" will be expressed in a no-objection certificate.
- All utility bills, including those for gas, electricity, and telephone, must be presented. The bill should not be older than two months and should include the full address of the property as well as the owner's name.
- Certificate for Digital Signature

Conclusion

Limited Liability Partnership (LLP) is a recently developed corporate form type in India and is geared toward small and medium-sized firms. Its incorporation is quite similar to that of a private limited company, but as this article has shown, there are several advantages to an LLP that make it the first option for many Indian small enterprises. The necessary paperwork and documents for LLP registration is also examined in this article. The article also clearly justifies the reasons and the procedure for setting up an LLP and getting it registered.

FAQ

What is the cost of registration for setting up a LLP in India?

An LLP can be registered for between Rs. 2500 and Rs. 6000, depending on the number of partners and the capital investment.

Can a current partnership business be changed to an LLP?

Yes, by adhering to the requirements of clause 58 and Schedule II of the LLP Act, an existing partnership firm may be changed into an LLP. For this conversion and incorporation of LLP, Form 17 must be filed alongside Form 2.

Who are 'Designated Partners' and what are their requirements?

Any two Indian residents who are also LLP partners or corporate nominees are regarded as Designated Partners. For setting up a LLP in India, at least 2 Designated Members must be appointed. Regulatory and legal compliances, as well as their liabilities as "partners, per-se," are largely the responsibility of designated partners.

What requirements must one meet to become a partner?

Any person who is read and competent to enter a contract may become a partner. Major credentials are not necessary.

<https://www.mca.gov.in/MinistryV2/llpefiling.html>