



Theekshna Amin  
Associate

## KEY HIGHLIGHTS OF THE LLP AMENDMENT ACT

### A. Introduction:

A Limited Liability Partnership (**LLP**) is a business arrangement in which the liability of each partner is limited to the extent of their investment in the firm.

The Limited Liability Partnership (Amendment) Act, 2021<sup>1</sup> (“**Amendment Act**”) will amend the Limited Liability Partnership Act, 2008 (“**LLP Act**”). It obtained the assent of the President of India on 13<sup>th</sup> August, 2021 and it will come into force from the date to be notified by the Central Government (**CG**). Here are some of the significant changes in the Amendment Act.

### B. Legal Provisions:

1. Decriminalising Certain Offences: It prescribes only fines for certain non-compliances *viz.*:
  - a. Change in designated partners of LLP: when designated partner is not appointed within 30 days from the date of vacancy. The LLP Act prescribes a minimum of two designated partners.
  - b. Change of registered office: when the notice of change in the registered address of the LLP is not filed with Registrar in the prescribed manner under the LLP Act.
  - c. Filing of statement of account and solvency and annual return: when LLP does not maintain book of accounts, records and file annual returns as prescribed under the LLP Act.
  - d. Arrangement between an LLP and its creditors or partners: when a compromise or arrangement made between the LLP and its creditors or LLP and its partners is not according to the manner prescribed under the LLP Act.
  - e. Reconstruction or amalgamation of LLP: when reconstruction or amalgamation of LLP, is not according to the provisions of the LLP Act.
2. Name Change of an LLP:<sup>2</sup> The LLP Act permits CG to direct an LLP to change its name including on “*undesirable*” grounds. Failure is punishable with a fine from Rs. 10,000 to Rs. 5 lac. The Amendment Act will remove the ground of “*undesirable*” and CG must allot new name instead of levying a fine.
3. Punishment for Fraud:<sup>3</sup> The LLP Act directs that if an activity of LLP, or any of its partners defraud their creditors or for any other fraudulent purpose, it is punishable with imprisonment of up to two years and a fine Rs. 50,000 and Rs. 5 lac. The Amendment Act increases the maximum term of imprisonment from two years to five years.

---

<sup>1</sup><https://egazette.nic.in/WriteReadData/2021/228987.pdf>.

<sup>2</sup> Section 15 of the LLP Act.

<sup>3</sup> Section 30 of the LLP Act.

4. Non-Compliance of Tribunal Orders:<sup>4</sup> The LLP Act, for a non-compliance with an order of the National Company Law Tribunal (**NCLT**), prescribed imprisonment up to six months and fine up to Rs. 50,000.  
The Amendment Act eliminates this offence.
5. Compounding of Offences:<sup>5</sup> The LLP Act allowed CG to compound any offence under this Act which is punishable only with a fine, up to the maximum fine prescribed for the offence.  
The Amendment Act permits a regional director (or any officer above his rank) appointed by the CG, to compound such offences. The compounding fee must be between the minimum and maximum fines prescribed. If an offence by LLP or its partners is compounded, then similar offence cannot be compounded within three-year period.
6. Establishment of Special Courts:<sup>6</sup> The Amendment Act directs the Central Government to establish Special Courts for speedy trial of offences under the Act. It will consist of:
  - a. Sessions Judge or Additional Sessions Judge for offences punishable with imprisonment of three years or more; and
  - b. A Metropolitan Magistrate or a Judicial Magistrate for other offences. Appeals against orders of these special courts will lie with High Courts.
7. Small LLP: The Amendment Act permits formation of small LLP, where:
  - a. Contribution from partners is up to Rs. 25 lac (may be increased up to Rs. 5 crore);
  - b. Turnover for the preceding financial year is up to Rs. 40 lac (may be increased up to Rs. 50 crore).A small LLP is liable to lesser compliances.

**C. Conclusion:**

The Amendment Act aims to foster growth and establishment of LLPs by streamlining the imposition of penalties based on nature of offences increasing flexibility in compounding of offences, establishing special courts for speedier adjudication; and imposing higher penalties for fraudulent activities. Formation of small LLPs will promote start-up ecosystem.

-----

This *Counselence Connect* contains information in a nutshell on a recent change in law. This is not legal advice and must not be treated so. For legal advice, please contact us at: [info@counselence.com](mailto:info@counselence.com).

---

<sup>4</sup> Section 73 of the LLP Act.

<sup>5</sup> Section 39 of the LLP Act.

<sup>6</sup> Section 67A of the Amendment Act.