LLP ACT PROFESSIONAL CORPUS · BATCH 01

Chapter II — Nature of Limited Liability Partnership

Establish separate legal personality, partner eligibility, minimum-partner continuity and designated-partner accountability.

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Finin2min Summary — Chapter in 2 Minutes

- Establish separate legal personality, partner eligibility, minimum-partner continuity and designated-partner accountability.
- Verify minimum partners, designated partners, residence, consent, DIN/DPIN and who carries statutory responsibility.
- Read every section with the amended Rules, current MCA form and the LLP agreement.
- Authority, source evidence, State stamp/registration and cross-law effects are separate closing gates.
- A portal acknowledgement is evidence of filing—not a substitute for legal accuracy or complete transaction documentation.

Section-by-section provision map

Provision	Subject	Legal effect / rule	Implementation	Evidence
3	Limited liability partnership to	The LLP is a separate body corporate with	Use the LLP—not individual partners—as contracting,	A partner change does not interrupt the entity, but authority matrices

Provision	Subject	Legal effect / rule	Implementation	Evidence
	be body corporate	perpetual succession.	owning and litigating party; keep entity and partner books/ bank accounts separate.	and filings must be updated.
4	Non-applicability of the Indian Partnership Act, 1932	This provision regulates a partner, partnership interest or contribution through non-applicability of the indian partnership act, 1932.	Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.	Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.
5	Partners	This provision regulates a partner, partnership interest or contribution through partners.	Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.	Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.
6	Minimum number of partners	At least two partners are required; a sole remaining partner who knowingly carries on beyond the statutory period can face personal exposure.	Create a vacancy alert, admission plan and temporary signing restrictions immediately when partner strength falls below two.	Preserve resignation/ admission dates, knowledge evidence and transactions during the gap.
7	Designated partners	Every LLP needs the prescribed designated-	Verify consent, DIN/DPIN/KYC, residency days, disqualification	Maintain a designated-partner eligibility file and

Provision	Subject	Legal effect / rule	Implementation	Evidence
		partner structure, including the statutory residence condition.	and filing before permitting statutory signing.	board/partner authority matrix.
8	Liabilities of designated partners	This provision regulates a partner, partnership interest or contribution through liabilities of designated partners.	Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.	Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.
9	Changes in designated partners	This provision regulates a partner, partnership interest or contribution through changes in designated partners.	Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.	Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.
10	Punishment for contravention of sections 7 and 9	This provision controls the consequence, prosecution or adjudication path for punishment for contravention of sections 7 and 9.	Identify the responsible LLP/ person, default period, continuing-default exposure, authority, forum, correction and appeal before calculating risk.	Preserve statutory notice, filing history, role/ knowledge evidence, remediation, order, payment and appeal limitation.

Finin2min clause-by-clause decode

Section 3 — Limited liability partnership to be body corporate

Legal effect: The LLP is a separate body corporate with perpetual succession.

Finin2min implementation: Use the LLP—not individual partners—as contracting, owning and litigating party; keep entity and partner books/bank accounts separate.

Evidence/control: A partner change does not interrupt the entity, but authority matrices and filings must be updated.

Section 4 — Non-applicability of the Indian Partnership Act, 1932

Legal effect: This provision regulates a partner, partnership interest or contribution through non-applicability of the indian partnership act, 1932.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 5 — Partners

Legal effect: This provision regulates a partner, partnership interest or contribution through partners.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 6 — Minimum number of partners

Legal effect: At least two partners are required; a sole remaining partner who knowingly carries on beyond the statutory period can face personal exposure.

Finin2min implementation: Create a vacancy alert, admission plan and temporary signing restrictions immediately when partner strength falls below two.

Evidence/control: Preserve resignation/admission dates, knowledge evidence and transactions during the gap.

Section 7 — Designated partners

Legal effect: Every LLP needs the prescribed designated-partner structure, including the statutory residence condition.

Finin2min implementation: Verify consent, DIN/DPIN/KYC, residency days, disqualification and filing before permitting statutory signing.

Evidence/control: Maintain a designated-partner eligibility file and board/partner authority matrix.

Section 8 — Liabilities of designated partners

Legal effect: This provision regulates a partner, partnership interest or contribution through liabilities of designated partners.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 9 — Changes in designated partners

Legal effect: This provision regulates a partner, partnership interest or contribution through changes in designated partners.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 10 — Punishment for contravention of sections 7 and 9

Legal effect: This provision controls the consequence, prosecution or adjudication path for punishment for contravention of sections 7 and 9.

Finin2min implementation: Identify the responsible LLP/person, default period, continuing-default exposure, authority, forum, correction and appeal before calculating risk.

Evidence/control: Preserve statutory notice, filing history, role/knowledge evidence, remediation, order, payment and appeal limitation.

Finin2min implementation explanation

Entity and accountable-person gate. Verify minimum partners, designated partners, residence, consent, DIN/DPIN and who carries statutory responsibility. Convert the chapter into an owner, trigger, due date, approval, filing, evidence and exception workflow; the LLP agreement and portal records must be reconciled at each event.

Practical examples and calculations

Example 3: Limited liability partnership to be body corporate

Two partners sign a property purchase in their personal names although the business and funds belong to the LLP. The title, accounting and enforcement position becomes misaligned. The closing should instead identify the LLP as purchaser and confirm signatory authority.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 4: Non-applicability of the Indian Partnership Act, 1932

An LLP takes action under section 4 (Non-applicability of the Indian Partnership Act, 1932) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 5: Partners

An LLP takes action under section 5 (Partners) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 6: Minimum number of partners

One of two partners resigns on 1 January. The remaining partner continues operations without admitting another partner. A dashboard should flag the statutory six-month risk window and restrict exceptional transactions until partner strength is restored.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 7: Designated partners

A designated partner works mostly overseas. Count India residence days against the current statutory definition before annual filing; do not infer residence from nationality, PAN or address alone.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 8: Liabilities of designated partners

An LLP takes action under section 8 (Liabilities of designated partners) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Practical transaction application

At transaction opening, identify the section trigger, governing agreement clause, signatory authority, prescribed form/rule, State instrument requirement, tax/GST consequence, counterparty condition precedent and post-closing filing. Do not release consideration until documentary conditions are satisfied.

Authority, consent and execution controls

Maintain a reserved-matters matrix, partner/designated-partner consent register, delegation limits, DSC custody log, conflict declarations and external signatory evidence. A partner’s business role does not automatically prove authority for every act.

Stamp duty and registration alerts

The LLP Act is central, but LLP agreements and many transaction instruments are stamped under State law. Property, security, assignment, conversion, lease and power-of-attorney instruments may also require registration. Obtain State-specific advice before execution and before filing Form 3 or completing a conversion.

Evidence and document-retention checklist

- Current statutory source and amendment log
- Stamped LLP agreement and every amendment
- Partner/designated-partner consent and KYC
- Authority/reserved-matters matrix
- Signed forms and attachments
- SRN, challan and acknowledgement
- Books, bank and tax/GST reconciliation
- Contracts, invoices, delivery and acceptance
- Notices and proof of service
- Valuation/title/security documents
- Legal opinions, orders and appeal records
- Exception, correction and mitigation log

Preserve the current stamped LLP agreement and amendments; partner/designated-partner KYC and consent; resolutions; authority matrix; filed forms and attachments; SRNs/challans; books and bank/tax reconciliations; contracts; notices; delivery/acceptance evidence; legal opinions; orders; and a source/version register.

Performance, delivery and payment controls

Use milestones, acceptance criteria, invoices, tax documents, payment approvals, set-off/withholding limits, change orders, service levels, audit rights and termination handover. Align commercial performance records with the LLP’s authority and accounting records.

Breach, loss, mitigation and remedy framework

Issue a fact-specific notice, stop continuing loss, preserve evidence, suspend unauthorised access, quantify direct and consequential exposure, consider insurance/indemnity, cure regulatory filings, avoid admissions and document mitigation. Fraud, false statements and continuing defaults require immediate escalation.

Limitation and forum controls

Classify the claim—agreement, contribution, debt, indemnity, fraud, statutory penalty, oppression/arrangement, property or tax—then identify accrual, acknowledgement, exclusion/condonation and competent forum. Do not copy a generic three-year period into every dispute.

Arbitration and mediation interface

Draft arbitration/mediation clauses for inter se contractual disputes, seat, institution, appointment, interim relief, confidentiality and emergency relief. Statutory filings, adjudication, criminal offences, Special Court, Registrar or Tribunal powers cannot be contracted away.

Company, partnership, GST and tax overlays

Read this chapter with the LLP Rules and current forms, the stamped LLP agreement, Indian Contract Act, Specific Relief, Limitation, Arbitration/Mediation, Companies Act cross-application, Income-tax, GST, FEMA, IBC, DPDP, employment and sector licences.

Finin2min Q&A

What is the central risk in Nature of Limited Liability Partnership?

Establish separate legal personality, partner eligibility, minimum-partner continuity and designated-partner accountability.

What is the first control before acting?

Identify the exact current Act section, amended Rule/form, LLP agreement clause, authority and State-law instrument requirement.

Can additional fee cure the entire default?

No. It may permit delayed filing, but substantive contravention, false statement, civil penalty, criminal exposure or transaction defects require separate analysis.

Does MCA acceptance prove legal validity?

No. Acceptance is important evidence, but it does not automatically cure authority, stamping, registration, tax, fraud or inaccurate disclosure.

Can the LLP agreement override the Act?

It can structure inter se rights where the Act permits, but cannot override mandatory statutory duties, public filings or regulatory powers.

What should be retained?

Keep signed source documents, approvals, filings and receipts, accounting/tax trail, notices, delivery evidence and the legal source/version relied on.

Can every dispute be arbitrated?

No. Contractual partner/LLP disputes may be arbitrable, while Registrar, adjudication, criminal, Special Court and Tribunal powers remain statutory.

Chapter-specific decision flowchart

Decision flowchart for Chapter II — Nature of Limited Liability Partnership

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