Chapter IV — Partners and Their Relations

Translate the LLP agreement into enforceable governance, admission, exit, contribution, profit-sharing and filing controls.

Source review: 2026-07-18India-first legal implementationAuthors: CA Nikhil Gupta · Kajri Singh

Source status: This publication maps the current consolidated Act structure and the identified central instruments. The official India Code/Gazette and current MCA form prevail. Exact offline statutory text is not represented as fully certified until the source-hash ledger marks the relevant Act/Rule text “local exact verified”.

Download chapter PDFDownload one-page cheat sheetOfficial Act PDF

Finin2min Summary — Chapter in 2 Minutes

- Translate the LLP agreement into enforceable governance, admission, exit, contribution, profit-sharing and filing controls.
- The stamped/filed agreement, not an informal understanding, must drive economic, governance and exit rights.
- 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
22	Eligibility to be partners	This provision regulates a partner, partnership	Reconcile agreement, consent, authority, valuation,	Keep signed agreement/deed, consent, valuation, payment/title

Provision	Subject	Legal effect / rule	Implementation	Evidence
		interest or contribution through eligibility to be partners.	payment/vesting, capital account, tax and statutory filing.	evidence, ledger and filing acknowledgement.
23	Relationship of partners	The LLP agreement primarily determines mutual rights and duties; the First Schedule fills gaps.	Draft reserved matters, authority, contributions, distributions, conflicts, exits, defaults, valuation and dispute clauses expressly.	Keep stamped agreement, amendments, partner consent, Form 3 filing and version-controlled governance register.
24	Cessation of partnership interest	Cessation affects partner status but not automatically accrued obligations or third-party notice consequences.	Coordinate deed, settlement, authority revocation, bank/ portal access, customer notice, Form 4 and Form 3 changes.	Preserve resignation/death/ insolvency evidence, settlement calculations, releases and filing receipts.
25	Registration of changes in partners	Changes in partners and particulars must be notified in the prescribed form and period.	Use a change-control checklist that blocks payment/authority handover until consent, agreement update and statutory filing are aligned.	Retain Form 4 package, identity/ KYC, effective-date evidence and portal acknowledgement.

Finin2min clause-by-clause decode

Section 22 — Eligibility to be partners

Legal effect: This provision regulates a partner, partnership interest or contribution through eligibility to be 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 23 — Relationship of partners

Legal effect: The LLP agreement primarily determines mutual rights and duties; the First Schedule fills gaps.

Finin2min implementation: Draft reserved matters, authority, contributions, distributions, conflicts, exits, defaults, valuation and dispute clauses expressly.

Evidence/control: Keep stamped agreement, amendments, partner consent, Form 3 filing and version-controlled governance register.

Section 24 — Cessation of partnership interest

Legal effect: Cessation affects partner status but not automatically accrued obligations or third-party notice consequences.

Finin2min implementation: Coordinate deed, settlement, authority revocation, bank/portal access, customer notice, Form 4 and Form 3 changes.

Evidence/control: Preserve resignation/death/insolvency evidence, settlement calculations, releases and filing receipts.

Section 25 — Registration of changes in partners

Legal effect: Changes in partners and particulars must be notified in the prescribed form and period.

Finin2min implementation: Use a change-control checklist that blocks payment/authority handover until consent, agreement update and statutory filing are aligned.

Evidence/control: Retain Form 4 package, identity/KYC, effective-date evidence and portal acknowledgement.

Finin2min implementation explanation

Agreement and partner-change gate. The stamped/filed agreement, not an informal understanding, must drive economic, governance and exit rights. 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 22: Eligibility to be partners

An LLP takes action under section 22 (Eligibility to be 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 23: Relationship of partners

The filed agreement says profits are shared equally, while a spreadsheet says 70:30. Distributions and tax records should follow a valid, stamped and filed amendment—not the spreadsheet.

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 24: Cessation of partnership interest

An LLP takes action under section 24 (Cessation of partnership interest) 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 25: Registration of changes in partners

An LLP takes action under section 25 (Registration of changes in 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 Partners and Their Relations?

Translate the LLP agreement into enforceable governance, admission, exit, contribution, profit-sharing and filing controls.

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 IV — Partners and Their Relations

← Chapter III — Incorporation, Name and Registered OfficeChapter V — Liability, Holding Out, Fraud and Whistleblowing →