LLP ACT PROFESSIONAL CORPUS · BATCH 01

Chapter X — Conversion into LLP

Run eligibility, continuity, vesting, creditor, tax, stamp, licence, employee and post-conversion disclosure checks before filing.

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Finin2min Summary — Chapter in 2 Minutes

- Run eligibility, continuity, vesting, creditor, tax, stamp, licence, employee and post-conversion disclosure checks before filing.
- Conversion is not a simple name change; test every eligibility, stakeholder, asset, tax and post-conversion disclosure condition.
- 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
55	Conversion from firm	Firm conversion is governed by the Second Schedule and	Verify all partners become LLP partners, map every asset/liability/ licence, address creditor and tax	Retain firm deed, statement of assets/ liabilities, partner consent, creditor evidence, conversion filing

Provision	Subject	Legal effect / rule	Implementation	Evidence
		continuity conditions.	consequences, and plan statutory disclosures.	and post-registration notices.
56	Conversion from private company	Private-company conversion is governed by the Third Schedule and eligibility conditions.	Test shareholder-to-partner continuity, security interests, foreign investment, tax neutrality, employee transfer and licence change requirements.	Keep board/ shareholder approvals, creditor/ lender consents, share register, valuation and vesting evidence.
57	Conversion from unlisted public company	This provision governs conversion from unlisted public company and must be read with the applicable Schedule and Rules.	Run an eligibility certificate, stakeholder consent, asset/liability vesting and post-conversion update checklist.	Retain predecessor records, approvals, statement of assets/ liabilities, certificate, notices and tax/stamp analysis.
58	Registration and effect of conversion	Registration effects statutory conversion and vesting, subject to Schedule compliance and continuing disclosure.	Use a closing checklist for certificate, cessation of predecessor registration, asset records, banks, GST, PAN/TAN, contracts and public notice.	Retain certificate, conversion statement, vesting schedule and authority communications.

Finin2min clause-by-clause decode

Section 55 — Conversion from firm

Legal effect: Firm conversion is governed by the Second Schedule and continuity conditions.

Finin2min implementation: Verify all partners become LLP partners, map every asset/liability/licence, address creditor and tax consequences, and plan statutory disclosures.

Evidence/control: Retain firm deed, statement of assets/liabilities, partner consent, creditor evidence, conversion filing and post-registration notices.

Section 56 — Conversion from private company

Legal effect: Private-company conversion is governed by the Third Schedule and eligibility conditions.

Finin2min implementation: Test shareholder-to-partner continuity, security interests, foreign investment, tax neutrality, employee transfer and licence change requirements.

Evidence/control: Keep board/shareholder approvals, creditor/lender consents, share register, valuation and vesting evidence.

Section 57 — Conversion from unlisted public company

Legal effect: This provision governs conversion from unlisted public company and must be read with the applicable Schedule and Rules.

Finin2min implementation: Run an eligibility certificate, stakeholder consent, asset/liability vesting and post-conversion update checklist.

Evidence/control: Retain predecessor records, approvals, statement of assets/liabilities, certificate, notices and tax/stamp analysis.

Section 58 — Registration and effect of conversion

Legal effect: Registration effects statutory conversion and vesting, subject to Schedule compliance and continuing disclosure.

Finin2min implementation: Use a closing checklist for certificate, cessation of predecessor registration, asset records, banks, GST, PAN/TAN, contracts and public notice.

Evidence/control: Retain certificate, conversion statement, vesting schedule and authority communications.

Finin2min implementation explanation

Eligibility and statutory-vesting gate. Conversion is not a simple name change; test every eligibility, stakeholder, asset, tax and post-conversion disclosure condition. 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 55: Conversion from firm

A firm converts while a land title remains in a retiring partner's name and a bank charge is unresolved. Statutory vesting does not eliminate the need for lender, title, stamp and record-update analysis.

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 56: Conversion from private company

An LLP takes action under section 56 (Conversion from private company) 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 57: Conversion from unlisted public company

An LLP takes action under section 57 (Conversion from unlisted public company) 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 58: Registration and effect of conversion

An LLP takes action under section 58 (Registration and effect of conversion) 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 Conversion into LLP?

Run eligibility, continuity, vesting, creditor, tax, stamp, licence, employee and post-conversion disclosure checks before filing.

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 X — Conversion into LLP
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