***The Limited Liability Partnership Act, 2008***

India introduced The Limited Liability Partnership Act in 2008 to legally authorize the concept of Limited Liability Partnerships (LLP). A blend between a private company and a partnership LLP’s have recently become a very popular form of business vehicle.

LLP stands for Limited Liability [Partnership](https://www.toppr.com/guides/business-studies/forms-of-business-organisations/partnership/). It is an alternative corporate business form which offers the benefits of limited liability to the partners at low compliance costs. It also allows the partners to organize their internal structure like a traditional partnership. A limited liability partnership is a legal entity, liable for the full extent of its [assets](https://www.toppr.com/guides/accounting-and-auditing/preparation-of-final-accounts-of-sole-proprietor/classification-of-assets-and-liabilities/). The liability of the partners, however, is limited. Hence, LLP is a hybrid between a [company](https://www.toppr.com/guides/accountancy/accounting-for-share-capital/features-company-kinds-company-share-capital-company/) and a partnership.

Limited Liability Partnership enterprise, the world wide recognized form of business organization, has now been introduced in India by enacting the Limited Liability Partnership Act, 2008. LLP Act was notified on 31.03.2009.

A Limited Liability Partnership, popularly known as LLP combines the advantages of both the Company and Partnership into a single form of organization. Limited Liability Partnership (LLP) is a new corporate form that enables professional knowledge and entrepreneurial skill to combine, organize and operate in an innovative and proficient manner.

It provides an alternative to the traditional partnership firm with unlimited liability. By incorporating an LLP, its members can avail the benefit of limited liability and the flexibility of organizing their internal management on the basis of a mutually-arrived agreement, as is the case in a partnership firm.

***The limited liability partnership act 2008***

***Features of LLP***

1. **LLP is a corporate body:** According to section 3 of the limited liability partnership act 2008, LLP is a corporate formed and incorporates under the act. It is the legal entity separate from its partner.
2. **Perpetual succession:** Unlike a partnership form LLP can continue its existence even after retirement, insanity, insolvency or even death of one or more partners. Further it can enter into contract and hold property in its name.
3. **Separate legal entity:** It is a separate legal entity. Further it is completely liable for its assets. Also the liability of partners is limited to the contribution in the LLP. Hence the creditors of the limited liability partnership are not the creditors of individual partners.
4. **Mutual agency:** Another difference between an LLP and a partnership firm is that the dependent or unauthorised action of one partner does not make the other partner liable. All partners are agent of LLP and the action of one partner does not by the other.
5. **LLP agreement:** The duties and right of all partners are governed by an agreement between them. Also the partner can devise the agreement as per their choice. If such an agreement is not made then the act governs the mutual rights and duties of the partners.
6. **Artificial legal person:** For all legal purposes an LLP is an artificial person. It is created by legal process and has all the rights of an individual. It is invisible, intangible and immortal but not fictitious since it exist.
7. **Common seal:** if the partner decides the LLP can have a common it is not mandatory. However if it decides to have a seal then it is necessary that the seal remains under the custody off are responsible officer. Fodder the common seal can be affixed only in the presence of at least 2 designated partners of the LLP.
8. **Limited liability:** According to the act every partner is an agent of the LLP for the purpose of business of the entity. However he is not an agent of other partners. Further the liability of each partner is limited to his admit contribution in the limited liability partnership.
9. **Minimum and maximum members:** Every LLP must have at least two partners and at least two individual as designated partners. At any time at least one designated partner should be resident in India. There is no maximum limit on the number of maximum partners in the entity.
10. **Business for profit only:** LLP cannot be form for charitable or non-profit purposes. It is essential that the entity is formed to carried out only lawful business with a view to earn a profit.

* ***LLP agreement***

An LLP agreement is a written document defining the agreement between the partners of limited liability partnership. It defines the right and duties of all the partners towards each other and towards the firm.

Under the limited liability partnership act, the filing of LLP agreement is mandatory while registering the form within 30 days of the formation of LLP. In the absence of the agreement all the rights and liability provided in schedule 1 of the act will apply to all the partners and the LLP.

**Contents of the LLP agreement**

1. Firstly it contains the name of the LLP. According to the act the name must always end with LLP.

2. It also contains the date of the agreement. The act states that the agreement must be registered within 30 days after incorporation.

3. Partner’s contribution: the agreement has the ratio of capital invested by the partner the profit sharing ratio and other provision regarding the capital contribution if any.

4.the agreement has the provision relating to recording storage and maintenance of the books of account and other important document.

5. It also includes the particulars of capital account and current account.

6. The agreement contains the name of disassociation as well if any partner wants to withdraw from LLP then the procedure and the processes are listed out.

7. It also contains the provision for the admission of a new partner into LLP.

8. The agreement must also contain the procedure information regarding the sale or transfer of partnership right.

**Provisions in the absence of an LLP agreement.**

If there is no registration of LLP agreement between the partners the provision of schedule 1 of LLP act 2008 shall apply to all the partners. This provision is as follows

* All partners of LLP shall share profit and loss equally.
* Partners shall have indemnity of any personal payment made by him in ordinary course of business or anything done for preservation of assets of the business.
* All partners can take part in the management of the firm.
* Partner shall indemnify if the losses are caused due to a fraudulent act was done by him.
* Any dispute between the partners of an LLP which are not resolved among themselves must be referred for arbitration as per the act.
* Majority of the partners can expel partner unless there is an express agreement between the partners