9.9.21

Will the Limited Liability Partnership (LLP) Amendment Bill 2021 provide an impetus to the ease of doing business reforms? Analyse.

Ans: The Union Cabinet has recently approved the amendents to the Limited Liability Partnership Act, 2008 vide the Limited Liability Partnership Bill 2021 for ease of doing business and encouraging start-ups.

Limited Liability Partnership:

This is a hybrid model of traditional partnership firms and allows partners to have limited liabilities.

Impetus to the ease of doing business:

→ Decriminalisation: Currently under the LLP Act (2008), 24 penal provisions, 21 compoundable offences and 3 non-compoundable offences are criminalised. This bill decriminalises 12 of these offences.

→ Threshold and Turnover: This bill allows the partners to contribute Rs. 5 crore from Rs. 25 lac and turnover size from 40 lac to 50 crore. These enhancements will attract stakeholders.

→ Inhouse Mechanism:- Offences relating to minor/ less serious compliance issues are dealt under In-house Adjudication Mechanism.

→ Small LLPs: This bill proposes creation of small class of LLPs to encourage entrepreneurs.

→ Accounting and Auditing: Unlike the counterparts under Companies Act enjoying standardised accounting, LLPs did not enjoy that. Hence, standardisation of procedures have been proposed.

<u>Way Forward:</u>

Limited Liability Partnership are very flexible and offer much- secured business environment to partners. Hence, the recent bill is a step welcome.