



REGULATORY UPDATES

Application of Certain Provisions of the Companies Act,
2013 on Limited Liabilities Partnerships

APPLICATION OF CERTAIN PROVISIONS OF THE COMPANIES ACT, 2013 ON LIMITED LIABILITIES PARTNERSHIPS

The Ministry of Corporate Affairs (“MCA”) vide its notification dated 11th February, 2022, for the first time in history, has directed that certain provisions of the Companies Act, 2013 (“Companies Act”) be made applicable to Limited Liability Partnerships (“LLPs”), as well. The effective date from which the introduced provisions comes into force is yet to be notified by MCA.

A total of eight sections under Companies Act, including sections pertaining to reporting of Significant Beneficial Owners, Disqualifications of Directors, Capping on no. of Directorships, Vacancy of Directors, Power to conduct inquiries and inspections are proposed to be extended to the LLPs with requisite modifications.

Key highlights of the provisions being proposed to be made applicable to LLPs are as follows:

1. **The concept “Significant Beneficial Ownership” is being introduced for LLPs also**

The Concept of Significant Beneficial Owners (“SBO”) prevailing for the Companies is now being proposed to be extended to LLPs also. LLPs will be required to make prescribed reporting with Registrar of Companies and maintain registers and declarations of SBOs under this Section.

2. **Now, the Designated Partners may also be treated disqualified like Directors in Companies**

Like Directors in Companies, Designated Partners of the LLPs would also be subject to the same provisions governing disqualification to act as Director under the Companies Act. Accordingly, non-filing of financial statements or annual returns by any LLP for a continuous period of 3 years may also make its Designated Partners disqualified to act as Designated Partners of any LLPs.

3. Capping on Number of LLPs for which a person may act as Designated Partner

Prior to this notification, there was no capping on no.s of LLPs for which a person can act as Designated Partner. The proposed change provides a capping on number of LLPs for which a person can act as designated partner i.e. 20 LLPs.

4. Applicability of provisions relating to “Vacation of office of director” to Designated Partners of LLPs

At par with the provisions under the Companies Act, provisions governing vacation of office of Director is also proposed to be made applicable for Designated Partners of the LLPs. Accordingly, Designated Partners will be required to vacate their office in case Designated Partners falls in any of the clauses (a) to (g) of Section 167(1) of Companies Act.

5. Power of Central Government to inspect of Books and Papers of LLPs

The Power of Central Government to inspect and inquire books and papers under section 206(5) and 207(3) has been extended to the LLPs as well in addition to Companies.

6. Right to Appeal to Tribunal against Order of ROC for dissolution of LLPs under section 248

Where any person is aggrieved due to an order of Registrar of Companies notifying a LLP as dissolved under section 248 of Companies Act, may also file an appeal within 3 years from the date of the order. Previously, this right was available with respect to the Companies only under Companies Act.

CONCLUSION

With due emphasis on ease of doing business, digitalization and streamlining various aspects for LLPs, the MCA makes its intentions clear that there shall not be any compromise on governance aspects for the LLPs at the same time. Extending these important provisions of the Companies Act to the LLPs will ensure better governance of the LLPs

For further details or clarifications, please refer the Notification dated 11th February, 2022 at:

<https://www.mca.gov.in/bin/dms/getdocument?mids=s3NAd1DMJP%252Bb4D3KxSkX1Q%253D%253D&type=open>

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