Limited Liability Partnership

About:

- What is it? LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership. Hence LLP is called a hybrid between a company and a partnership.

Legislation in India

All limited liability partnership is governed under the limited liability partnership act of 2008. The Corporate Affairs Ministry implements the Act.

LLP vs Traditional partnership firm:

- Under “traditional partnership firm”, every partner is liable, jointly with all the other partners and also severally for all acts of the firm done while he is a partner.
- Under LLP structure, liability of the partner is limited to his agreed contribution. Thus, individual partners are shielded from joint liability created by another partner’s wrongful acts or misconduct.

LLP vs a Company:

- The internal governance structure of a company is regulated by statute (i.e. Companies Act, 1956) whereas for an LLP it would be by a contractual agreement between partners.
- The management-ownership divide inherent in a company is not there in a limited liability partnership.
- LLP will have more flexibility as compared to a company.
- LLP will have lesser compliance requirements as compared to a company.