

LIMITED LIABILITY PARTNERSHIP SETTLEMENT SCHEME

Introduction

The basic purpose of introducing the concept of Limited Liability Partnership in India in the form of Limited Liability Partnership Act in 2008 was to introduce a form of business entity which enjoyed the benefits of both a partnership firm and a corporate entity. It provided a simple organizational structure with very less legal compliance with the concept of separate legal entity.

The filing requirements were kept minimal with low fees as compared to a Company though to be carried out through the Ministry of Corporate Affairs portal which made it very popular with low budget small enterprises.

However, when these very small enterprises did not do well most of the times inadvertently or otherwise failed to file returns.

Returns and fees

There are many returns to be filed with the MCA. But the Limited Liability Partnership Settlement Scheme covers only the following forms :

- 1) Form 3 – Information with regard to LLP agreement and changes
- 2) Form 4 – Notice of appointment, cessation, change in name/ address/ designation of a designated partner or partner and consent to become a partner/designated partner
- 3) Form 8 – Statement of Account & Solvency (Annual or Interim)
- 4) Form 11 – Annual Return of Limited Liability Partnership (LLP)

Additional fees for delayed filing :

Under Section 69, if there is any delay in filing of any document or return with the Registrar of Companies an additional fee of Rs. 100 for every day is payable apart from the normal fees. There is no maximum limit to the additional fee. This additional fee is apart from any other action or liability under the Act.

Specific provisions:

Form 3

Under section 23, information with regard to the LLP partnership agreement to be filed in Form 3 within 30 days of the date of incorporation or change as the case may be, as prescribed.

Form 4

Under section 25 read with Rule 22, Form 4 is to be filed within 30 days from the date of appointment/cessation or change as the case may be.

Fine for noncompliance

LLP punishable with fine – not less than Rs. 2,000 but may extend to Rs. 25,000

Designated partner with fine - not less than Rs. 2,000 but may extend to Rs. 25,000

Form 8

Under section 34 read with Rule 24, Form 8 is to be filed within 30 days from the end of 6 months of the financial year to which the Statement of Account and solvency relates.

Fine for noncompliance

LLP punishable with fine – not less than Rs. 25,000 but may extend to Rs. 5 lakh

Designated partner with fine – not less than Rs. 10,000 but may extend to Rs. 1 lakh

Form 11

Under section 35, Annual Return in Form 11 is to be filed within a period of sixty days of closure of the financial year as prescribed.

Fine for noncompliance

LLP punishable with fine – not less than Rs. 25,000 but may extend to 5 lakh

Designated partner with fine – not less than Rs. 10,000 but may extend to Rs. 1 lakh

The fines for noncompliance were on the higher side as also there being no upper cap on the additional fees, many Limited Liability Partnerships found it very difficult to complete the delayed filings especially if the business was not good.

The LLP Settlement Scheme, 2020 has come as a very big relief to the defaulting LLPs.

Now the affected LLPs can complete their belated filings without payment of any additional fees. Also, the scheme has been extended up to 30/09/2020.

Exception:

The scheme will not apply to LLPs which have made application for strike off in Form 24 to the Registrar under Rule 37(1) of the LLP Rules, 2009.

Ref.

- 1) Circular dated 04/03/2020 – General Circular No. 6/2020
- 2) Circular dated 24/03/2020 -- General Circular No. 11/2020
- 3) Circular dated 30/03/2020-- General Circular No. 13/2020