

Annual Compliances for Limited Liability Partnership (LLP)

April 24, 2020

In brief

Partnership has been the most desirable form of business since ages. Just by adding a prefix i.e. 'Limited Liability', A new form of business is created which is **Limited Liability Partnership**. The ulterior motive for constituting this form of business is to cop up with the drawbacks of Partnership and to commemorate with the stringent requirements of Company.

So, Limited Liability Partnership is a form of entity which entails features of a partnership firm and a company. The LLP is managed by its partners and it is a separate legal entity from its partners.

The incorporation process of LLP is simple and it does not require much compliance formalities, hence, LLPs are preferred by Professionals, Micro and Small or closely-held businesses.

The concept of Limited Liability Partnership has been brought by way of enforcing Limited Liability Partnership Act, 2008.

In detail

Benefits of LLP

- LLP is a separate legal entity from its partners.
- LLP can raise funds from Partners, banks and NBFCs.
- The procedure for Incorporation, conversion and closure of LLP is simple and easy.
- Assets and liabilities of LLP are separate from that of the partners.
- LLP can easily Transfer its ownership.
- Annual compliance cost for LLP are very less in comparison with Private / public Limited Company

LLP's are regulated by the Registrar of Companies (RoC), Ministry of Corporate Affairs (MCA). All LLPs are required to endure compliances and file certain statutory returns with MCA every year.

Annual Compliances for LLP

Following are the compliances required to be done by every LLP without any exceptions –

1. Annual filing
 - a. Form – 8
 - b. Form – 11
2. Maintenance of Books of Account
3. Filing of Income Tax Returns

Annual filing

a. Form-8

i. What is the purpose of Form-8?

The statement of Account and Solvency are filed through Form - 8. It consists of information related to the statement of assets and liabilities and statement of income and expenditure of the LLP.

ii. What is the due date of filing of this form?

Form 8 should be filed within 30 days from the end of 6 months of the end financial year. i.e. by **30th October** of each financial year.

iii. Who shall sign the form?

Designated partners must sign the form digitally. Further, it must be certified by a chartered accountant, auditor or the accountant of the LLP.

iv. How many parts are there in this form?

There are two parts in Form 8. They are:

Part A – Statement of Solvency

Part B – Statement of Accounts, Statement of Income & Expenditure

b. Form-11

i. What is the purpose of Form-11?

Form -11 consists of Annual Return. It contains the details of all the partners, their contributions in the LLP, etc.

ii. What is the due date of filing of Form-11?

Form-11 should be filed within 60 days of the end of financial year. i.e. on or before **30th May** every year.

iii. Who shall sign the form?

It must be digitally signed by one of the Designated Partners of the LLP. In case total obligation of contribution of partners of the LLP exceeds Rs. 50 lakhs or the turnover of LLP exceeds Rs. 5 crores, then Form-11 is required to be certified by a Practicing Company Secretary (PCS)

iv. What are the documents required to File LLP Form 11?

Basic details like total obligation of contribution, total contribution received by partners of the LLP, summary of Designated Partners and Partners etc. Further, details of LLP and / or company in which partner / designated partner is a director / partner is also attached to the form.

General questions for both the forms i.e. Form-8 and Form-11

i. Do I need to file Form-8 and Form-11 even if no transaction has taken place during the year?

To maintain the active status of the LLP it is required to file the forms even if no transaction has taken place during the year so that MCA is updated with the state of affairs of LLP.

ii. What is the filing fees for Form-8 and Form-11?

The filing fees is Rs. 50 each for Form-8 and Form-11.

iii. What is the penalty for late filing of Form-8 and Form-11?

The penalty of Rs.100 per day if you have not filed this form.

iv. Is there any chance of waiver of penalty for non-filing of Form-8 and Form-11?

Yes, recently on March 04th 2020, **LLP settlement Scheme, 2020** has been launched vide circular 6/2020 under which Form-8 and form-11 can be filed without payment of late fees pertaining to any previous year.

Maintenance of Books of Accounts and Documents

All LLP's are required to maintain its books of accounts on cash basis or accrual basis. Other relevant documents like incorporation document, names of partners and changes made, proof of fee payment, statement of account & solvency & annual return filed by LLP should also be kept at its registered office. The books of accounts shall also be preserved in the registered office of the LLP for the specified period.

Filing of Income Tax Returns

Every LLP has to file income tax return for every year. Since LLP is a separate legal entity, so along with partners income tax return you have to file LLP's income tax return as well within due date.

Audit of LLP

- LLP whose turnover exceeds, in any financial year, 40 lakh rupees or whose contribution exceeds 25 lakh rupees is required to get its accounts audited from a Chartered Accountant in Practice.
- Where the partners of LLP do not decide for audit of the accounts of LLP, such LLP shall include in the Statement of Account and Solvency, a statement by the partners to the effect that the partners acknowledge the

responsibility for complying with the requirements of the Act and the Rules with respect to preparation of books of accounts and a certificate in the specified form specified in Form-8.

- The audit of LLP shall be done by a Chartered Accountant in Practice only.
- An auditor or auditors of a LLP shall be appointed for each financial year of the LLP for auditing its accounts.

Conclusion

The requirements mentioned above are compulsory to be followed irrespective of any number of transactions or amount of turnover. LLP which is flourishing in the business world has bear the burden of multiple compliances to avoid the liability arising from fines and penalties. But is it only for avoiding penalties? The answer is no. Since LLP has to comply way fewer compliances as compared to company it is always better to file all the forms and returns before the due date to escape hefty penalties with timely annual LLP compliance filing.



Our Offices

Mumbai, Maharashtra

Jabalpur, Madhya Pradesh (M.P)

Contact Details

Mob: +91 8454 989 789

Email: info@lawgicalstartup.com

About Lawgical Startup

We are Mumbai based digitized platform to provide legal and secretarial services, enabling Entrepreneurs to focus on their dream projects. One of the key factor with us is our affordable rates and 24×7 assistance to Entrepreneurs. Usually people who aspire to build a startup, give up on their dream projects due to complexities involved in statutory requirements and legal side of any industry, we at Lawgical Startup make sure that you can focus on building your dream business and we handle all your legal and secretarial work. Among many other benefits, cost involved with secretarial and legal services is always a considerable factor for all types of businesses, big or small, we make sure that our services are offered at affordable rates.

We are a team of Company Secretaries and Chartered Accountants having rich experience working with startups across various industries. Our focus is to make sure that our clients never have to worry about any statutory requirements or messy paper work involved in the process.

Follow us on:



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Lawgical Startup, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of Lawgical Startup, this publication may not be quoted in whole or in part or otherwise referred to in any documents.