
LIMITED LIABILITY PARTNERSHIP (“LLP”) OR REGULAR PARTNERSHIP?

LLP

A limited liability partnership is a partnership in which some or all partners have limited liabilities. It therefore can exhibit elements of partnerships and companies. In an LLP, each partner is not responsible or liable for another partner's misconduct or negligence.

Characteristics of LLP

- **Separate legal entity:** - the partners and the LLP in are distinct from each other. This is like a company where directors are different from the company;
- No requirement of minimum capital;
- To start a LLP at least *two members* are required initially;
- **No requirement of compulsory audit:** All the companies, whether private or public, irrespective of their share capital, are required to get their accounts audited. But in case of LLP, there is no such mandatory requirement.

A LLP is required to get the audit done only if:

- ❖ the contributions of the LLP exceeds Rs. 25,00,000/-; or
- ❖ the annual turnover of the LLP exceeds Rs. 40,00,000/-.

PARTNERSHIP

A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits.

Characteristics of Partnership

- Partnership is the outcome of an agreement between two or more persons to carry on business. This agreement may be oral or in writing;
- Partnership is formed to carry on a business;
- The nature of liability of partners is the same as in case of sole proprietorship. The liability of partners is joint, several and unlimited;
- No partner can assign or transfer his partnership share to any other person so as to make him a partner in the business without the consent of all other partners;
- Registration of a partnership firm is not compulsory

Incorporating an entity as a Partnership Firm or LLP? This is the general point of confusion for all. In such case, prefer comparing the benefits of LLP over Partnership firm and then come to a conclusion.

BENEFITS OF LLP OVER PARTNERSHIP FIRM

Unlimited Partners

Liability of Partners

Better Access to Credit

In the case of a *LLP*, there is no limit regarding the maximum number of partners. But maximum number in Partnership firm is limited to 100 members.

The liability of Partners is limited to the extent of their contribution in LLP. Further, one Partner is not affected or not held liable for the actions of another Partner. Whereas Liability of Partners in partnership firm is Unlimited

Typically banks and investors provide *easier bank loans to LLP*. But it's difficult in case of Partnership firm

Benefits of LLP over Partnership firm

The major merits of an LLP are reduced risk exposure, perfect for expanding the business, and the ability to undergo mergers or amalgamations easily, unlike in a partnership Firm.

LLP is a separate legal entity and can hold assets in its name. The status of Partnership Firm does not have separate identity from its Partners.

Ability to undergo mergers, amalgamations

The existence of LLP is not affected by change in the Partners of LLP. The Partnership Firm dissolves due to removal or death of Partner subject to clauses of Partnership Deed.

Separate legal entity

Uninterrupted Existence

On the basis of above comparison it is clear **why LLP is elect over the Partnership Firm as it avails the benefits of the Partnerships with higher preference.**

Nature of Simplicity of transaction is intact in the LLP and its distinguished position in Corporate World places an LLP in far more advantageous position than a Partnership. Not necessarily everyone should opt for an LLP but the one who are looking for long term growth and are willing to jump into corporate world without facing the high restriction caused in case of Companies, the person may prefer to go for LLP.

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Thanks and Regards
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