

## New compliances for designated partners of LLP

With effect from 11 February 2022, the provisions of sections 90, 164, 165, 167, sub-section (5) of section 206, sub-section (3) of section 207, 252, and section 439 of the Companies Act, 2013 will apply to limited liability partnerships (LLP), according to the Ministry of Corporate Affairs (MCA) notification.

The relevant provisions of the notification are summarised below.

1. Disclosure of significant beneficial ownership: Any individual holding beneficial interest of 25% or more in an LLP through 'contribution' or a right to exercise a significant influence/control will be required to make such disclosure by way of declaration to the LLP. Also, the LLP needs to file a return of significant beneficial owners with the registrar.

2. An individual who is/has been a designated partner of an LLP that

a. has not filed Statement of Account and Solvency, for 3 consecutive financial years;

b. or has failed to repay deposits accepted by it or pay interest thereon, for 1 year or more;

shall not be eligible to become or continue as a designated partner of that LLP or to become a designated partner in other LLPs for 5 years from the date of such default.

3. An individual can be eligible to become a 'designated partner' in a maximum of 20 LLPs at a time. An individual who immediately before this notification held office as a designated partner in LLPs in excess of 20 should, within 1 year of such notification

a. choose not more than 20 LLPs in which he wishes to continue to hold the office as a designated partner;

b. resign his office as a designated partner in the remaining LLPs; and

c. notify each of the LLPs about the above decision where he held the office as a designated partner prior to this notification.

Violation of the above provisions will make the partner liable for a penalty ranging from INR 5,000 to INR 25,000.

4. The central government is empowered to request information, inspect books, and undertake investigations and inspections of the operations of LLPs.

**Weblink** <https://egazette.nic.in/WriteReadData/2022/233372.pdf>

## Therefore

The applicability of various provisions of the Companies Act to LLPs will result in LLPs getting at par with companies regarding compliances. The fact that the regulatory authorities' attention is now shifted towards LLPs will encourage the smaller enterprises towards a stricter compliance regime. This will infuse more transparency and accountability of the businesses towards their stakeholders.