

Western India Regional Council of The Institute of Chartered Accountants of India

Drafting of LLP Agreement



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Limited Liability Partnership Act – Drafting of Agreement.

LLP Agreement

➤ Section 2 (1) (o) defines LLP Agreement as

“limited liability partnership agreement” means any written agreement between the partners of the limited liability partnership or between the limited liability partnership and its partners which determines the mutual rights and duties of the partners and their rights and duties in relation to that limited liability partnership

LLP Agreement (Cont'd)

- A LLP agreement can be executed before or after the incorporation of LLP.
- In the Absence of Agreement the Provisions of First Schedule shall apply.
- If the agreement is signed prior to incorporation, it needs to be ratified by the partners.

Features of First Schedule

- All partners entitled to share equally in the Capital and Profits/losses.
- Indemnity Clause.
- All Partner entitled to take part in management.
- No partner entitled to remuneration.
- No new partner can be introduced without consent of all partners.
- All decisions with majority of partners consent.
- Minutes to be recorded within 30 days and all decisions recorded.
- Render True Accounts.
- Non Compete Clause.
- Partners cannot be expelled by majority unless prior agreed.
- Disputes to be referred to Arbitration under Arbitration and Conciliation Act, 1996.

Checkpoints in Agreement

- Objects
- Registered Address
- Contribution
- Mode of Contribution
- Changes in Contribution
- Sharing of Profit and / or Loss
- Remuneration
- Designated Partners and their Rights and Obligations.
- Rights and Obligations of Partners.
- Admission, Retirement, Expulsion or death of Partner.
- Assignment of Financial Interest
- Meetings and minutes

Checkpoints in Agreement (Cont'd)

- Loans from Partners, if any.
- Non Compete Clause, if any.
- Banking, Accounts and Audit.
- Restrictions on Partners
- Amendments to Agreement
- Indemnity Clause
- Winding up
- Resolution of Disputes

Ancillary Clauses

- Conversion from Firm.
- Conversion from Company.
- Other restrictions.

Stamp Duty

- On LLP Agreement.
- On Conversion to LLP.

Questions



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Thank You

