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An Analysis of Limited Liability Partnership and their Effects on Small Enterprises

Nachiket S. Joshi

LL.M. 2nd Semester

School of Law, Sandip University, Nashik, Maharashtra, India

Abstract: *There are many different ways that a business can be structured, and the type of business structure that one decides to use will have a significant impact. There are many different kinds of entities kinds of business entities, each of which has its own set of advantages and disadvantages, with the end goal of overcoming the challenges posed by the fluctuating circumstances and economy. It started with individual ownership of limited companies and eventually spread to other businesses. In India, it is against the law for many professionals to work through companies. These professionals include advocates and lawyers, chartered accountants, company secretaries, and medical professionals. When it comes to providing these kinds of professional services, the structure of an LLP would be especially helpful. In the years to come, it's possible that professionals in India will offer these kinds of valuable services to a large number of organizations in other countries. Multidisciplinary combinations will be needed to help international clients with a wide range of problems. So, people think there should be an alternative to the traditional partnership: a new corporate entity with limited liability and a flexible business environment that can be set up and run in a way that is both flexible and effective. If there was a new company, this would be the case. To be able to compete effectively on the international market, business owners, professionals, and providers of services will have the ability to collaborate and run their businesses in an effective manner. The purpose of this study is to demonstrate how LLP can adapt to the ever-changing dynamics of a company. By analyzing the trend of small businesses or enterprises, one can also discover the advantage of choosing to register in India as an LLP..*

Keywords: LLP, Limited Liability Partnerships, Small Enterprises, India

I. INTRODUCTION

It is of the utmost importance to conduct research on and gain a comprehension of the history of LLPs before delving further into the idea of a limited liability partnership. Common business structures in India include the limited liability company, the sole proprietorship, and the partnership.However, there was a lack of clarity regarding the type of business model that would be most appropriate for chartered accountants, professional firms, or small and medium-sized businesses. As a result, a report on the "Regulation of Private Companies and Partnership" was published by the committee headed by Naresh Chandra, and a report on "Company law" was published by the committee headed by Dr. J. J. Irani. These reports were instrumental in the development of the idea of a limited liability partnership (Limited Liability Partnership). It is said to be a combination of the positive and advantageous aspects of both the partnership act and the companies act.The LLP act is needed because partnerships have strict rules, such as a limit on the number of partners (which is set at 20) and a joint liability that is unlimited. This means that, in addition to the capital contributed by the firm's capacitors, the partners' personal property can also be used to pay off the business's debts. This is why we need the LLP act. This is one of the most important reasons why the partnership model of business hasn't grown much at all. When it comes to the LLP mode, on the other hand, there are none of the limits that the partnership has. With its flexible legal structure and limited liability to protect partners, the limited liability partnership (LLP) has become the most popular type of hybrid corporation and the most common type of business

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II. METHODS

This research paper is based on quantitative approach. Only secondary date have been used as the basis for the research. The information came from the books, online journals and government website.

III. DISCUSSION

Protection from Personal Liability: LLPs provide their partners with limited protection from personal liability. This ensures that the personal assets of the partners are not put in jeopardy in the event that the LLP is subject to any kind of legal action. To the extent of each partner's contribution to the LLP, that person's personal liability is capped and limited

A High Degree of Management and Operational Flexibility Limited liability partnerships (LLPs) offer a high degree of management and operational flexibility. The structure of the LLP, the profit-sharing ratio, and management responsibilities are all up for discussion and decision-making among the partners. Because of this, it is possible for small businesses to run their operations according to their preferences and customize them to meet the specific requirements of their company.

A LLP is regarded as being a separate legal entity from its partners. It has the ability to own assets, enter into contracts, sue or be sued in its own name, and enter into contracts on its own behalf. Raising capital, owning assets, and signing contracts become less difficult for smaller businesses as a result of this.

Reduced tax burden because LLPs are taxed in the same manner as partnerships, their income is not subject to taxation at the entity level. Instead, the income is distributed to the partners, and each partner is taxed according to the proportion of the income that is attributable to them. Due to this, LLPs have a lower overall tax burden compared to other types of business structures.

IV. FINDING

As of the 28th of February in the year 2022, there were more than 264,000 limited liability partnerships (LLPs) registered in India, as reported by the Ministry of Corporate Affairs (MCA).

With over 54,000 registered limited liability partnerships (LLPs), Maharashtra has the highest number of LLPs in the country, followed by Delhi with over 27,000 and Tamil Nadu with over 19,000.

Distribution-wise, the number of limited liability partnerships (LLPs) that are registered is highest in the business of providing services (over 141,000), followed by the business of trading (over 57,000).

As of the 28th of February in the year 2022, there were a total of 112 foreign LLPs that were registered in India.

A report compiled by the MCA indicates that limited liability partnerships (LLPs) produced a total revenue of INR 1.62 lakh core during the fiscal year 2019-20.

It is estimated that limited liability partnerships (LLPs) have been responsible for the creation of over 2.5 million jobs in India.

The number of limited liability partnerships (LLPs) that are registered in India has been steadily growing over the course of the past several years. Over 26,000 new limited liability partnerships (LLP) were registered during the fiscal year 2020-21.

For the most part, the adaptability, limited liability protection, and tax efficiency offered by LLPs have contributed to their rise to prominence as a preferred option among small business owners and entrepreneurs in India.

V. CONCLUSION

Based on the results of this research, local, state, and federal governments, as well as other organizations, should think about enacting new policies and revising existing ones. This is essential for encouraging capital investment in both established and emerging fields. After major tax reforms in India, such as the Companies Act of 2013, the goods and services tax was implemented on July 1, 2017, absorbing virtually all other indirect taxes. This paved the way for both domestic and international startups to set up shop in India. One of the statutes that underwent change was the Companies Act of 2013. Due to economic liberalization, rising domestic demand, and a high return on investment, India has become a credible investment destination for both domestic and international investors. Despite competitive international markets, India is investing in its infrastructure to help startups get off the ground, which will lead to more opportunities for those businesses.

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