

GOVT NOTIFIES AMENDMENTS TO LLP ACT, PROVISIONS EFFECTIVE 1 APRIL

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The ministry of corporate affairs has decriminalised procedural lapses and technical defaults by limited liability partnerships (LLPs) with effect from 1 April, showed an official notification on Saturday.

The notification gives force to the amendments made to the LLP Act last year.

LLP is a preferred legal form among start-ups and the service industry. There are over 200,000 LLPs in the country.

The LLP (Amendment) Act of 2021 reduced penal provisions in the Act from 24 to 22, while decriminalising 12 other provisions. The lapses that got decriminalised were technical or procedural in nature and now there won't be any need to take these to company law tribunals for adjudication as no criminal intent is deemed to be involved in them.

Separately, the ministry also designated registrars of companies (RoCs) as adjudicating officers under the Act as well. This will also be effective from 1 April. Appeals will be dealt with by the respective Regional Directors.

The Act authorised the Regional Director to compound offences that are punishable only with a fine. It also empowered the Centre to prescribe accounting or auditing standards for certain classes of LLPs. It also allowed the Centre to set up special courts for dealing with offences under this law expeditiously.

The idea is to improve ease of doing business. The government has already amended the Companies Act twice to decriminalise technical or procedural breaches in order to reduce the rigors of compliance and to improve ease of doing business.

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