

## Limited Liability Partnership | FAQs on Contribution

### **Q1. What are the different forms of contribution?**

A1. Contribution may consist of any of the following, or a combination thereof:-

- ❖ Tangible, moveable property,
- ❖ Tangible, immovable property,
- ❖ Intangible property
- ❖ Money
- ❖ Promissory notes
- ❖ Agreements to contribute cash or property
- ❖ Contracts for services performed or to be performed.
- ❖ Any other benefit to the LLP.

[Section 32(1) of the LLP Act, 2008]

### **Q2. Which document shall govern the obligation of a partner towards contribution?**

A2. The LLP Agreement shall govern the obligations of a partner towards contribution.

[Section 33(1) of the LLP Act, 2008]

### **Q3. Is it necessary to disclose the amount of contribution of all the partners in the LLP accounts?**

A3. Yes, it is necessary to disclose the amount of contribution of all the partners in the LLP accounts. [Regulation 23(1) of the LLP Rules, 2009]

### **Q4. Is it necessary to disclose the nature or form of contribution of all the partners in the LLP accounts?**

A4. Yes, it is necessary to disclose the nature and form of contribution of all the partners in the LLP accounts. [Regulation 23(1) of the LLP Rules, 2009]

### **Q5. If the contribution is in any form other than cash, how will it be accounted for and disclosed in the LLP accounts?**

A5. If the contribution is in any form other than cash, then the monetary value of the contribution shall be accounted for and disclosed in the LLP accounts in the manner as may be prescribed. [Section 32(2) of the LLP Act, 2008]

**Q6. Who can be appointed as a valuer for valuation of contribution, if it is in any other form than in cash?**

A6. If contribution is in any other form than cash, the following persons can act as a valuer for valuation of contribution:-

- A practicing Chartered Accountant
- A practicing Cost Accountant
- An Approved Valuer from the panel maintained by the Central Government.

[Regulation 23(2) of the LLP Rules, 2009]

**Q7. Is there any time period within which partners of an LLP shall bring contribution?**

A7. The LLP Act, 2008 or the LLP Rules, 2009 do not mention anything specifically about the time period within which contribution shall be brought in, by the partners of an LLP. Hence, the time period of bringing in contribution, shall be governed by the provisions of LLP Agreement.

**Q8. Whether contribution amount once contributed can be withdrawn by a Partner?**

A8. The LLP Act, 2008 or the LLP Rules, 2009 do not contain any specific restrictions on withdrawal of contribution by a Partner. However, the LLP Agreement may provide for such restrictions.

**Q9. What are the circumstances where contribution amount is liable to be repaid to the partners?**

A9. The contribution amount brought in by a partner is liable to be repaid to the respective partner in the event of his cessation as a partner of an LLP. [Section 24(5) of the LLP Act, 2008]

**Q10. Is there any classification under the concept of contribution?**

A10. The LLP Act, 2008 or the LLP Rules, 2009 do not provide for any classification under the concept of contribution. However, the LLP Agreement may provide for any such classification.

**Q11. Whether contribution would have any bearing on profit sharing pattern of LLP?**

A11. The profit sharing pattern of an LLP shall be governed by the LLP agreement, and may not be related to the contribution of each partner. [Section 23(1) of the LLP Act, 2008]

**Q12. If the LLP Agreement is silent about the profit sharing pattern, how will the profit sharing pattern of the partners be determined?**

A12. If the LLP Agreement is silent about the profit sharing pattern, then the profit sharing pattern of the partners shall be as prescribed in the First Schedule to the LLP Act, 2008.

**Q13. What does the First Schedule to the LLP Act, 2008 prescribe about the profit sharing pattern of the partners of an LLP?**

A13. The First Schedule to the LLP Act, 2008 prescribes that in the absence of any express provision in the LLP Agreement, the partners shall share all profits and losses equally.

**Q14. Can there be an increase in the Contribution of an LLP?**

A14. The LLP Act, 2008 or the LLP Rules, 2009 do not contain any specific provisions regarding the procedure for increase in contribution of an LLP. Hence, the procedure for increase in contribution of an LLP shall be governed by the provisions of the LLP agreement.

**Q15. Is there any form to be filed with the Registrar indicating the increase in contribution of an LLP?**

A15. Yes. For indicating an increase in the contribution of an LLP, Form 3 is required to be filed with the Registrar.

**Q16. What is the time limit for filing of Form 3 with the Registrar?**

A16. The time limit for filing of Form 3 with the Registrar is a maximum of 30 days from the date of modification of LLP Agreement, for increase in contribution.

**Q17. What fees shall be payable through Form 3 for increase in contribution?**

A17. For increase in contribution, the difference between the fees payable on the increased slab of contribution and the fees paid on the preceding slab of contribution shall be paid through Form 3. [Clause 2 of Annexure A to the LLP Rules, 2009]

**Q18. Is any stamp duty payable on an increase in contribution?**

A18. Yes, the stamp duty applicable for Partnership Agreements under the respective Stamp Acts shall be payable on an increase in contribution.

**Q19. In what manner can the contribution amount be increased?**

A19. An increase in the contribution amount can be introduced in two ways;

1. By bringing additional contribution by the existing partner(s) or
2. By introducing new partner(s).

**Q20. What are the steps for increase in contribution by way of additional contribution brought in by existing partners?**

A20. For increase in contribution by way of additional contribution brought in by existing partners, the following steps are involved:-

- ❖ To check whether the LLP agreement contains a clause for, and procedure for such an increase in contribution.
- ❖ If yes, to modify the LLP Agreement, by following the procedure prescribed in the LLP Agreement for modification of the Agreement for:
  - (i) inclusion of a clause for increase in contribution,

(ii) actual increase in contribution.

- ❖ If the LLP Agreement is silent about the procedure to be followed for modification of the Agreement, to pass a resolution by a majority in the number of partners for modification of the Agreement for:
  - (i) inclusion of a clause for increase in contribution,
  - (ii) actual increase in contribution.
 [Clause 7 of First Schedule to the LLP Act, 2008]
- ❖ Filing of Form 3, by the LLP with the Registrar, within 30 days from the date of modification of the Agreement along with the requisite fees, as mentioned above. [Section 23(2) of the LLP Act, 2008, Regulation 21(1) of the LLP Rules, 2009 and Clause 2 of Annexure A to the LLP Rules, 2009]

**Q21. What are the steps for increase in contribution by way of introduction of new partner(s)?**

A21. For increase in contribution by way of introduction of new partner(s), the following steps are involved:-

- ❖ To check whether the LLP agreement specifies the procedure for modification of the LLP Agreement for introduction of a new partner.
- ❖ If yes, to modify the LLP Agreement, by following the procedure prescribed in the LLP Agreement, for modification of the Agreement for introduction of a new partner.
- ❖ If the LLP Agreement is silent about the procedure to be followed for modification of the Agreement for introduction of a new partner, to pass a resolution by taking consent of all the partners for modification of the Agreement for introduction of a new partner and increase in contribution which is brought in by the new partner. [Clause 7 of First Schedule to the LLP Act, 2008]
- ❖ If the new partner shall also be a designated partner of the LLP, such person shall obtain Director Identification Number (DIN) from the Central Government by making an application electronically in Dir-3 to the Central Government, and payment of a fee of Rs. 500/- [Section 7(6) of the LLP Act, 2008, Regulation 10(1) of the LLP Rules, 2009 and Clause 4(e) of Annexure A to the LLP Rules, 2009]
- ❖ The proposed Designated Partner shall give his prior consent to act as a designated partner and intimate his DIN, in Form 9, to the LLP. [Section 7(3) of the LLP Act, 2008 and Regulation 7 and 10(8) of the LLP Rules, 2009]
- ❖ Filing of Form 4, by the LLP with the Registrar, within 30 days from the date of appointment of the designated partner / partner, along with the requisite fees, as mentioned above. [Section 7(4), 25(2)(a) of the LLP Act, 2008, Regulation 8, 10(8), 22(2) and 22(3) of the LLP Rules, 2009 and Clause 3 of Annexure A to the LLP Rules, 2009]
- ❖ Filing of Form 3, by the LLP with the Registrar, within 30 days from the date of modification of the Agreement along with the requisite fees, as mentioned above. [Section 23(2) of the LLP Act, 2008, Regulation 21(1) of the LLP Rules, 2009 and Clause 2 of Annexure A to the LLP Rules, 2009]

**Q22. Does contribution determine voting rights of partners?**

A22. No, the voting rights of partners may not be determined by the contribution brought in by them. The voting rights of the partners can be specified in the LLP Agreement

**Q23. How shall voting rights of partners be determined, if the LLP Agreement is silent on this matter?**

A23. If the LLP Agreement is silent about the voting rights of partners, each partner shall be entitled to one vote, irrespective of the capital brought in by him.  
[Regulation 8 of the First Schedule to the LLP Act, 2008]

**Q24. How can the lender safeguard his interest with the help of contribution?**

A24. In the absence of restrictions on repayment of contribution (for instance, provisions similar to Section 77A and Section 100 of the Companies Act, 1956), the lender needs to be extra cautious while lending funds to an LLP. The lender needs to install his own systems and procedures for safeguarding his interest.