

FOREIGN DIRECT INVESTMENT IN LIMITED LIABILITY PARTNERSHIP

Limited Liability Partnership (“LLP”) is a hybrid entity with advantage of a company and operational flexibility of a partnership. The concept was introduced by the Ministry of Corporate Affairs through Limited Liability Partnership Act, 2008 on 9th January, 2009.

Setting up of LLP in India has various advantages. Some of the significant advantages are as follows:

- contribution by the partners may consist of tangible, movable or immovable or intangible property or other benefit including money, promissory notes, and other agreements to contribute cash or property and contracts for services performed or to be performed.
- No requirement of holding quarterly board meetings.
- Distribution of profits to partners of the LLP is exempt from tax.
- No withholding tax on distribution made to partners by LLP.
- Non-applicability of Corporate Social Responsibility (CSR) provisions.

FOREIGN DIRECT INVESTMENT IN LLP

Foreign investment is permitted under the automatic route in LLP operating in sectors/activities where 100% Foreign Direct Investment (FDI) is allowed through the automatic route and there are no FDI-linked performance conditions. As of now, payment by an eligible foreign investor towards capital contribution/profit share of LLPs is allowed only by way of cash consideration in terms of the Foreign Exchange Management Act, 1999.

In addition to the above, LLPs receiving FDI are also allowed to make downstream investment in other limited liability company or LLP in those sectors where 100% FDI is permitted through automatic route.

REPORTING REQUIREMENTS

- a. An LLP receiving FDI in the form of capital contribution shall submit a report within a period of 30 days from the date of receipt of funds in



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form FDI-LLP (I) through its Authorised Dealer Bank to the regional office of the Reserve Bank of India (RBI) under whose jurisdiction the registered office of the LLP is situated.

- b. Any disinvestment or transfer of capital contribution or profit share between a resident and non-resident or vice versa shall be reported to RBI through Authorised Dealer Bank within a period of 60 days from the date of transfer in form FDI-LLP (II).

Though, External Commercial Borrowings are not allowed in LLP in India, however, FDI norms relating to LLP are considerably liberalised as compared to investment in Indian companies.