MCA V3: Limited Liability Partnership Firm LLP Versus Partnership Firm

- Article By CS Krishna Popat published on 10/02/2024

Topic: Limited Liability Partnership Firm LLP Versus Partnership Firm

Sr. no.	Particulars	Limited Liability Partnership Firm (LLP)	Partnership Firm (PF)
1.	**Perpetual succession**	LLP is a separate legal entity having perpetual succession, **which means that the exit or demise of one or more partners will have no effect on the continuity of the partnership**	Partnership is not treated as a separate entity, **its existence depends on the will and survival of the partners** (except in the case of a partnership limited by time)
2.	**Ownership of Assets**	**LLP has the ownership of assets** which are independent of the partners. **No partner owns the assets of the LLP**	The partners have **joint ownership of all the assets** belonging to the partnership firm. The firm cannot own the assets
3.	**No Maximum Limit on the Number of Partners**	In case of LLP **Min: 2 & Max: No limit**	In PF **Min : 2 & Max: 50 Partners**
4.	**Power to own property**	The **LLP can hold property in its name**	Partnership firm **cannot hold property in its name**
5.	**Accessibility Of Information**	**All the Documents of LLP** are available **in Public domain** on MCA website	**No doc available in public domain** for inspection hence becomes difficult to trust PF by Financial institutions, Suppliers, Dealers , Bankers etc.
6.	**Better Audit Procedures, Easy Governance:**	All LLPs (except those having a turnover below Rs.40 lakh or contribution below Rs.25 lakh) in a financial year are required to get their accounts audited annually according to the provisions of the LLP Act.	All partnership firms must get their accounts audited as per the provisions of the Income Tax, Act
7.	**Legally Protected**	The **LLP is distinct from its partners**. An LLP can sue and be sued in its own name as The contracts are signed in the name of the LLP	Partnership **firms cannot sue anyone** in the partnership firm's name
8.	**Limited Liability**	One of the Major advantage of LLP is that it offers its partners protection against unwanted and overburdened expenditure while carrying out business operations. This means that the **partner cannot be held personally accountable for the firm's debts**, even if the financial obligation was solicited or contracted by them.	Partnership firms failed to restrict the liabilities of partners. As a result, **partners were liable to pay-off all the business dues and liabilities from their official as well as personal income.** This was a huge disadvantage that Partnership businesses faced.
9.	**KYC of Designated Partners**	Since the LLP is registered with ROC/MCA **all the details of the Designated Partners is Verified every year** as it's a mandatory requirement hence it becomes easier to get details of Designated Partners	There is **no way we can find details/KYC** of partners.
10.	**CONCLUSION:**	An LLP and a partnership firm are similar forms of entities but differ in their functioning, maintenance of accounts, legal status etc. **They are governed by different Acts and Rules**. Knowing their differences will help an entrepreneur select the right form of partnership structure for his/her business. Overall, **the key difference between a partnership and an LLP is the level of personal liability and the formal legal status, ownership of Assets of the business. LLP will be more beneficial for small and medium enterprises as compared with partnership Firm.**	

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