



LLPs to issue NCDs, Small LLPs, Decriminalization of offences & various other key recommendations made by the Company Law Committee Report

INSIGHTS

January 18, 2021

The Company Law Committee has proposed various amendments in the limited liability partnership (LLP) framework to allow greater ease of doing business. Key recommendations are:

- To allow LLPs to issue secured non-convertible debentures (NCDs) to bodies corporate or trusts regulated by Securities and Exchange Board of India (SEBI) or Reserve Bank of India (RBI). The move is proposed to allow easy access of funds to LLPs (including through AIFs), and especially those LLPs which are engaged in real estate and infrastructure sector. The idea has been borrowed from other jurisdictions such as United Kingdom and Singapore, where LLPs are allowed to issue debentures by creating a charge on their assets. The move is targeted to allow diversification of LLP structures into a wide variety of business sectors and aid further capitalisation of LLPs;
- Introduction of concept of small LLPs on the lines of small companies under the Companies Act, 2013;
- Decriminalisation of certain offences and removal of one offence from penalty section;
- Incorporation of enabling provision in the definition of “business” of LLP to give power to the Central Government to allow / restrict LLPs to do a particular business (such as NBFCs);
- Power to Central Government to prescribe accounting and auditing standards to certain classes of LLPs;
- Relaxing provisions relating to payment of additional fees;
- Establishment of registration offices by the Central Government;
- Mechanism for adjudication of penalties, appointment of adjudication officers and provision for appeal;
- Detailed procedure on compounding of offences in line with Section 441 of the Companies Act, 2013;
- Alignment of references to Companies Act, 1956 with Companies Act, 2013.

The Report of the Company Law Committee (2021), dated January 4, 2021 has issued the afore-mentioned observations and recommendations ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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