

## Proposed Amendments to the Limited Liability Partnership Act, 2008 An Analysis in the Context of AIFs

The Corporate Laws (Amendment) Bill, 2026, introduced in the Lok Sabha on 23 March 2026 (**Amendments**), proposes various amendments to the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 (**LLP Act**). Some of the Amendments to the LLP Act appear to be designed to make it easier to set up alternative investment funds (**AIFs**) (to be regulated by either the Securities and Exchange Board of India (**SEBI**) or the International Financial Services Centres Authority (**IFSCA**) in the form of a limited liability partnership (**LLP**).

In the context of AIFs, the key changes proposed to the LLP Act are as follows:

- **Single filing for all changes to the partnership in any financial year**

Currently, as per Section 25(2) of the LLP Act, LLPs are required to file Form 4 with the Registrar within thirty (30) days whenever a person becomes or ceases to be a partner or when there is a change in the name or address of a partner. Under the proposed Amendments, LLPs regulated by SEBI or IFSCA will be permitted to furnish details of these changes to the Registrar on an annual basis instead of making filings for each individual change.

- **Conversion of trusts into LLPs**

The Amendments facilitate the conversion of “specified trusts” into LLPs. A specified trust is defined to mean trusts established under the Indian Trusts Act, 1882, or under any Central or State legislation, which are regulated by SEBI or IFSCA. In practice, a specified trust is an AIF registered with either SEBI or IFSCA. The procedural and legal framework governing such conversion is set out in a new schedule (proposed to be the Fifth Schedule), which will be inserted in the LLP Act.

Upon conversion of a specified trust into an LLP, all assets, liabilities, rights and obligations of the trust will automatically vest in the LLP, and the trust will cease to exist in its previous legal form. The trustees of the specified trust shall become the partners of the LLP formed through the conversion of the trust. The trustees will continue to remain personally liable for any liabilities and obligations of the trust that arose prior to the conversion. If a trustee discharges any such liability or obligation, the LLP shall fully indemnify the trustee for the same. Importantly, contracts entered into by the trust will continue to remain enforceable as if they had been entered into by the LLP itself.

- **Amendments specific to LLPs in IFSCs**

- Any Limited Liability Partnership set up in an International Financial Services Centre and regulated by the International Financial Services Centres Authority should include “*International Financial Services Centre LLP*” as part of its legal name (“**IFSC LLP**”).
- IFSC LLPs shall conduct their financial operations in “permitted foreign currency”. IFSC LLPs may not conduct their financial operations in INR.
- Contributions made by partners in IFSC LLP should be denominated in permitted foreign currencies. LLPs in an IFSC shall not be permitted to receive or accept any monetary contribution from their partners unless the contribution is first converted into a permitted foreign currency.

- IFSC LLPs shall maintain their financial statements, books of accounts and statutory records in a permitted foreign currency. However, where permitted by the regulator, such records may also be prepared in Indian rupees.



## ELP Comments

- *All over the world, funds are usually set up in the form of corporate vehicles, either as LPs, LLPs or companies. In India, trusts have evolved as the preferred structure to set up funds since the compliance/regulatory burden on private trusts is much lesser than on corporate bodies, even though SEBI and IFSCA regulations permit the setting up of funds in the form of LLPs and even companies. The proposed Amendments are likely to encourage the setting up of AIFs in the form of LLPs.*
- *One of the key reasons why funds are not set up in the form of LLPs is that, for an LLP, every entry or exit of a partner has to be reported to the RoC within 30 days. If an open-ended AIF is in the form of an LLP, compliance with this requirement would be very onerous. Even for close-ended LLPs, compliance with this requirement would be a tedious process until the final closing of the AIF. LLPs Permitting LLPs [regulated by SEBI or IFSCA] to report partners changes on an annual basis will provide greater operational flexibility to AIFs.*
- *Paragraph 3 of the proposed Fifth Schedule states as follows: “A specified trust may apply to convert into a limited liability partnership in accordance with this Schedule, only if the partners of the limited liability partnership into which the specified trust is to be converted are trustees of such specified trust and no one else.”*

*Normally, once an AIF ceases to be a trust, the trustee should have no further role to play. However, the aforementioned Paragraph 3 provides that when an active AIF, which is in the form of a private trust, is converted into an LLP, the trustees of the specified trust (and no one else) shall automatically become the partners of the LLP. The words ‘no one else’ cannot possibly prevent future changes to the roster of partners of the LLP/AIF.*

*Prior to the conversion of the trust into an LLP, the investors of the AIF would have received units and would have been treated as beneficiaries of the trust. In light of Paragraph 3 above, the investors of the AIF would not automatically become partners of the new LLP. Appropriate documentation would be required to onboard the AIF’s investors as its partners. Therefore, after ensuring a smooth transition of the AIF into an LLP, the trustee should relinquish its partnership of the LLP. For this purpose, prior to the conversion, a suitable contract should be entered into between the investment manager and the trustee to facilitate the handover.*

*Since the Amendments provide that contracts entered into by the trust will continue to remain enforceable as if they had been entered into by the LLP itself, it may not be necessary to execute fresh contribution agreements with the investors of the AIF, after it is converted into an LLP.*

The Corporate Laws (Amendment) Bill, 2026, can be found [here](#).

We hope you have found this information useful. For any queries/clarifications, please write to us at [insights@elp-in.com](mailto:insights@elp-in.com) or write to our authors:

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