Conversion of company to LLP

All movable and immovable properties of thecompany automatically vest in the LLP. Noinstrument

of transfer is required to be executedand hence no stamp duty is required to be paid.

Only intimation to be given to respectiveauthorities for change of name.

TAX EFFECT WHILE CONVERSION:

Section 47(xiiib)of IT Act, 1961

Following shall not be regarded as a”transfer”,therefore, no capital shall arise on the following:

1. Any transfer of a capital asset or intangible asset by a private company or unlisted public company

to a limited liability partnership.

2. Any transfer of a share or shares held in the company by a shareholder as a result of conversion of

the company into a limited liability partnership in accordance with the provisions of section 56 or

section 57 of the Limited Liability Partnership Act, 2008.

Conditions for claiming exemption:

1. All the assets and liabilities of the company immediately before the conversion become the assets

and liabilities of the limited liability partnership.

2. (a) All the shareholders of the company immediately before the conversion become the partners

ofthe limited liability partnership

 (b) Their capital contribution and profit sharing ratio in the limited liability partnership are in the

same proportion as their shareholding in the company on the date of conversion.

3. The shareholders of the company do not receive any consideration or benefit, directly or

indirectly, in any form or manner, other than by way of share in profit and capital contribution in the

limited liability partnership.

4. The aggregate of the profit sharing ratio of the shareholders of the company in the limited liability

partnership shall not be less than fifty per cent at any time during the period of five years from the

date of conversion.

5. The total sales, turnover or gross receipts in the business of the company in any of the three

previous years preceding the previous year in which the conversion takes place does not exceed

sixtylakh rupees.

6. No amount is paid, either directly or indirectly, to any partner out of balance of accumulated

 Profitstanding in the accounts of the company on the date of conversion for a period of three years

fromthe date of conversion.

Requirements of LLP

1. At least one Partner should be resident.

2. Partners to LLP should be only shareholders of Company and no one else.

3.STEPS FOR CONVERSION:

Step 1: Pass a Board Resolution for conversion and authorising a Director to apply for conversion.

Step 2: File *form No. 1* for application for name.

Attachments: Resolutions passed in step 1.

Then we will get a name approval certificate from ROC.

Step 3: File incorporation documents in *Form 2*.

Attachments:

a. Proof of Address of Registered office of LLP.

b. Subscription sheet signed by the partners.

c. Consent of Partners

d. Detail of LLP(s) and/ or company(s) in which designated partner is a director/ partner.

Step 4: File *Form 18* “Application for conversion”

Attachments:

a. Statement of shareholders

b. Statement of assets and liabilities certified by auditor

c. Acknowledgement of latest IT return.

Then after approval of above forms, Registrar will issue a Certificate of Registration.

Step 5: make LLP agreement within 30 days of incorporation and file it in *Form 3.*

Step 6: Then ROC will issue Certificate of Incorporation. Give intimation to ROC within 15 days of

Certificate of incorporation in *Form 14.* (attachment: Certificate of Incorporation)

COURTESY:

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