

The previous article highlighted the various statutory registrations required for a sole proprietor and a Partnership firm to carry on business. A Company and an LLP (Limited Liability Partnership) also require such registrations with a few variations in documentation.

This article contains a few pointers to differences between the 2 forms of organization which are relevant for entrepreneurs to decide depending on their line of business activity, operational flexibility, funding needs, kind of market they are catering to etc.

### **Company**

A Company is an association of individual persons and/or other companies, who provide some form of capital. A Company is an artificial person created by incorporation under law, having common seal and perpetual succession. An incorporated company enjoys perpetual (continuous) life until it is wound up in accordance with law.

### **Limited Liability Partnership**

LLP is a corporate business vehicle that blends professional initiative and operational flexibility, providing the benefit of Limited Liability to its partners. A limited liability partnership provides the internal flexibility of a partnership i.e. by allowing the partners to adopt whatever form of internal organization they prefer while at the same time limiting their liability with respect to the LLP to their individual contributions.

Some of the important aspects (not an exhaustive list) about the above form of organizations are as below:

<b>Aspect</b>	<b>Company</b>	<b>LLP</b>
Regulated by	Companies Act, 1956 and Articles of Association and Memorandum of Association of the Company.	Limited Liability Partnership Act, 2008 and LLP Agreement between partners.
Existence	This is a traditional form of organization which is in existence from a number of years.	This form of business organization was introduced recently in India in the year 2008.
Members	A private limited company must have 2 members and can have members up to 50 and a public limited company should have a minimum of 7 members and can	Minimum of 2 Designated Partners is a must and there is no maximum cap on the number of partners.

	have any number of members.	
Tax	Domestic Companies are taxed at a all inclusive rate of 32.445% (Base rate: 30% + Surcharge 5% on Base rate + Education Cess 0.96%)	LLPs are taxed at the flat rate of 30.9% (Base rate: 30%+Cess of 3% on Base rate)
Audit	Audit of accounts is mandatory for every company.	LLPs with the turnover of more than Rs.40 lakh or having contribution of Rs. 25 lakh or more should carry out audit of their accounts.
Residential Status of Members	It is not mandatory to have a Indian resident member in case of the Company. All the members of the company could be non residents.	At least one resident Designated Partner is required to constitute an LLP. It is not possible to form an LLP with all the designated partners being non-resident.
Meetings	<ul style="list-style-type: none"> <li>It is mandatory for a Company to hold at least 4 Board meetings in a year i.e. a meeting of Board in each quarter.</li> <li>It is also mandatory for a Company to hold 1 Annual General Meeting every year.</li> </ul>	There is no legal requirement to hold any meeting. It is the prerogative of the partners whether to hold the meeting or not.
FDI	There is no approval required for a foreign individual or entity to invest in Indian Company unless the investment to be made attracts sectoral caps (limits specified by the Government of India) in terms of Foreign Direct Investment Policy.	FDI is allowed in LLPs operating in sectors /activities where 100% FDI is allowed through automatic route. An NRI or a Person of Indian Origin can invest in LLP without any prior approval. However a non-resident other than these 2 (say a foreign company) requires prior RBI approval for investing in an LLP in India.
Filing with ROC	Company has to file a number of documents and forms with ROC. For e.g., Accounts and Annual Return Forms every year as also event based forms (allotment of shares, change in directors, charge creation on borrowings etc.)	Only a limited number of forms are required to be filed by LLPs. They include "Annual Statement of accounts and Solvency" & "Annual Return" to be filed every year and such other event based documents (change in partners, change in contribution etc.)
Liability of	Limited to the amount of capital	Limited to the amount of capital

Members	nominal value of shares acquired.	contribution.
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The only place where success comes before work is in the dictionary. – *Vidal Sassoon*