

Conversion of Firm into LLP

Nowadays, many partnership firms are converting themselves into **Limited Liability Partnership**, because it provides some amazing benefits like – limited liability protection, no maximum limits for the number of partners, easy to transfer ownership, etc.

Related: **Conversion of an LLP into Partnership**

Mentioned below are the steps required to be followed in order to convert a Partnership Firm into an LLP :

Step 1 – Requirement of Digital Signature:

Typically the Partners in a Partnership Firm do not have a digital signature because it isn't necessary for the registration of a partnership firm. However, if the partners decide to convert the Partnership Firm into an LLP, then the **Digital Signature Certificate** (DSC) is a mandatory requirement for all the Partners.

Step 2 – Requirement of DIN or DPIN:

The Partners in an LLP or the Directors in a **Private Limited Company** require a **DIN / DPIN**. A DIN is a unique number which is given to each partner or a director of an LLP. Once, a DIN/DPIN is issued, it can be used without any renewal or any compliance filing for the lifetime.

Step 3 – Getting the Name Approval done:

Once, two DIN/DPIN are available, an application for name reservation of the prospective company can be made to the Ministry of Corporate Affairs. The Reservation of the name of the LLP must be obtained before filing the forms for conversion of the Partnership Firm into LLP.

Step 4 – Filing LLP Form 17:

Application and a Statement of the Conversion of Partnership Firm into LLP (Limited Liability Partnership) i.e., Form 17 should be filed along with the incorporation application. The subscriber's sheet should also be filed while converting a partnership firm into an LLP. After filling the form 17 the mentioned documents should be mandatorily attached with it:

1. A Statement of consent of partners of the firm.
2. A Statement of the assets and liabilities of the firm which is duly certified as a true copy by a practicing Chartered Accountant.
3. A Copy of the acknowledgment of the latest **income tax return** (Mandatory).
4. Approval from any regulatory body/ authority (Mandatory).

5. Prepare a list of all the secured creditors along with their consent to the conversion. It is Mandatory in case the consent of all the secured creditors for the conversion of the firm into a limited liability partnership has been.
6. A Clearance or No Objection Certificate (NOC) from the Tax Authorities.

Once, an **LLP Form 17** is filled it must be digitally signed by a Designated Partner from a professionally practicing Chartered Accountant/Cost Accountant/Company Secretary.

Step 5 – Filing for Incorporation & Conversion of Partnership into LLP:

For the Conversion of a Partnership Firm into LLP, LLP Form 2 and LLP Form 3 must also be filed. LLP Form 2 contains the incorporation document and the subscriber's statement along with the following attached documents:

1. Proof of address of the registered office of the LLP.
2. The Subscribers' sheet with consent.
3. In principle an approval of the regulatory authority, if required.
4. The Details of LLP(s) and/ or company(s) in which the partner/ designated partner is a director/ partner (if any).

The LLP Form 3 contains the initial **Limited Liability Partnership** Agreement. This form can be filed once the Partnership Firm is converted into an LLP or while filing for the conversion of the Partnership Firm into LLP. The **LLP Agreement** must be attached with the LLP Form 3.

Successful Conversion of Partnership Firm into LLP

On successful conversion of Partnership firm into LLP, the Registrar would then issue a Certificate of Incorporation of LLP and all the properties, assets, interests, rights, privileges, etc. of the firm are now transferred to the LLP. In other words, the complete undertaking of the firm is transferred to the LLP.

However, any approvals/permit/license that is issued under any law to the Partnership Firm will not be automatically transferred to the **Limited Liability Partnership**. Therefore, fresh licenses or any registrations may be required. This aspect of conversion of a Partnership into LLP must be well considered before the conversion process.

Effects of Conversion

1. **LLP** comes into existence by the name specified in certificate of registration.
2. All tangible and intangible property of firm shall vest in LLP.
3. The firm is deemed to be dissolved.