Admission of New Partner in Limited Liability Partnership

Introduction

There is no rigid rules, regulations and provisions for admission of partner in Limited Liability Partnership (LLP). This article focuses to discuss the various process by which new partner can be admitted in LLP.

How one can become Partner in LLP?

A person can become partner in LLP by:

- subscribing his name to the incorporation document or
- Entering into agreement with the existing partner of LLP in accordance with the LLP agreement.

LLP Rules are silent about admission of partner in LLP. As per section 7 of First Schedule for introducing any new partner in LLP consent of all the existing partners of LLP is required to be obtained if nothing is provided in LLP Agreement. In the absence of provisions in LLP Act and LLP Agreement the provisions of First Schedule will become applicable but the applicability of provisions of First Schedule in LLP is not mandatory.

For admission of any new partner in LLP there is no exclusive or rigid provision in LLP Act, LLP Rule and First Schedule. In the absence of any exclusive provision for admission of any new partner in LLP the existing partners of LLP can set their own rules for introducing any new partner. Some of the options in process for admission of partners are discussed below.

A new partner can be admitted with the consent of:

- all existing partners of LLP or
- majority of partners OR
- partners carrying majority of voting right [51% or otherwise] OR
- such numbers of partners [eg.75% or any other %] OR
- such numbers of partners carrying such voting rights [eg. 75% or any other% ] OR

---

1 Section 22 of Limited Liability Partnership Act, 2008
2 Section 23(4) of the Limited Liability Partnership Act, 2008 says that in the absence of agreement as to any matter, the mutual rights and duties of partners and mutual rights and duties of LLP and partners shall be determined by the provisions relating to that matters as are set out in first schedule.
- selected partner/ partners can have right to appoint OR
- Power can be delegated to designated partners and they can take such decision based on any of the above mentioned norms.

**Information required from new partner:**

- Name proof and address proof of the person to be appointed including PAN of the same.
- Consent to act as partner or designated partner.
- Details of other partnership, directorship, if any.
- Copy of the minutes of the decision/ resolution/ consent of the partners authorizing person to act as partner/ designated partner in case of company or LLP as partner.

**Is it mandatory to enter into fresh agreement every time whenever any new partner is being introduced in LLP?**

It is customary in case of partnership to enter into deed of admission of partner at the time of admission of any partner. In case of companies, Articles of Association is considered as an agreement between members and company and admission of shareholder does not require amendment in Articles of Association, neither it is required to under go execution every time at the time of admission of any shareholder. In case of LLP, it is a combination of partnership and company. Unlike, partnership, LLP has no restriction on maximum number of partners. Accordingly, LLP Act does not mandatory require execution of LLP Agreement at the time of admission of partner.

Hence, it is legally possible to treat LLP Agreement as is the treatment for Articles of Association. In such cases, LLP Agreement would need appropriate drafting of clauses.

**Conclusion**

All LLP concepts are dynamic. All sections, rules, first schedule is only guidance but partners can set their own rules as appropriate they may think with respect to admission of new partner.