
2. Companies Fresh Start Scheme, 2020

Prelims Syllabus: Schemes

Mains Syllabus: GS-II Government Policies and Interventions for Development in Various Sectors and issues arising out of their design and Implementation.

Why in News?

- Ministry of Corporate Affairs introduces the “Companies Fresh Start Scheme, 2020” and revised the “LLP Settlement Scheme, 2020” to provide relief to law abiding companies and Limited Liability Partnerships (LLPs) in the wake of COVID 19.

What do these Schemes Entail?

- These schemes incentivise compliance and reduce compliance burden during the unprecedented public health situation caused by COVID-19.
- The schemes provide a one-time waiver of additional filing fees for delayed filings by the companies or LLPs with the Registrar of Companies during the currency of the Schemes, i.e. during the period starting from 1st April, 2020 and ending on 30th September, 2020.
- They also significantly reduce the related financial burden on them, especially for those with long standing defaults, thereby giving them an opportunity to make a “fresh start”.
- Both the Schemes also contain provision for giving immunity from penal proceedings, including against imposition of penalties for late submissions.
- They also provide additional time for filing appeals before the concerned Regional Directors against imposition of penalties, if already imposed.

What is a LLP?

- A Limited Liability Partnership (LLP) is a partnership in which some or all partners have limited liability. It therefore exhibits elements of partnerships and corporations.
- In an LLP, one partner is not responsible or liable for another partner’s misconduct or negligence.

Salient features of an LLP:

- An LLP is a body corporate and legal entity separate from its partners. It has perpetual Succession.
- Being the separate legislation (i.e. LLP Act, 2008), the provisions of Indian Partnership Act, 1932 are not applicable to an LLP and it is regulated by the contractual agreement between the partners.

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- Every Limited Liability Partnership shall use the words “Limited Liability Partnership” or its acronym “LLP” as the last words of its Name.

Composition:

- Every LLP shall have at least two designated partners being individuals, at least one of them being resident in India and all the partners shall be the agent of the Limited Liability Partnership but not of other partners.

Need for and significance LLP:

- LLP format is an alternative corporate business vehicle that provides the benefits of limited liability of a company but allows its members the flexibility of organizing their internal management on the basis of a mutually arrived agreement, as is the case in a partnership firm.
- This format would be quite useful for small and medium enterprises in general and for the enterprises in services sector in particular.
 - ✓ Internationally, LLPs are the preferred vehicle of business particularly for service industry or for activities involving professionals.

