

Voluntary closure of LLP through Centre for Processing Accelerated Corporate Exit (C-PACE)

Introduction

The Centre for Processing Accelerated Corporate Exit ('C-PACE'), which began operations on 1 April 2023, was established by the Ministry of Corporate Affairs ('MCA') as a centralized facility specifically for handling applications related to the voluntary closure of companies. This initiative is designed to streamline the process, making it quicker to wind up defunct entities.

Vide the Union Budget 2024-25 announcement, it was proposed to extend the services of C-PACE to Limited Liability Partnerships ('LLPs') as well, for their voluntary closure.

Amendment in the Limited Liability Partnership Rules

The amendment in the LLP Rules is made by a reference to the Registrar (C-PACE) in place of the 'Registrar'. Thus, effective from 27 August 2024, any application for the voluntary closure of the LLP needs to be made to the Registrar (C-PACE).

Key Changes Introduced by the Amendment

1. Shift in Jurisdiction to Registrar (C-PACE)

Previously, applications for the voluntary closure of LLPs were made to the jurisdictional Registrar of Companies ('RoC'). However, with this amendment, all such applications must now be directed to the Registrar (C-PACE). This change is aimed at centralizing and expediting the process of voluntary closure through a specialized body.

2. Role of Registrar (C-PACE)

- The Registrar (C-PACE) will now assume the responsibilities that were previously handled by the RoC under Rule 37 of the LLP Rules. This includes the critical function of striking off the name of the LLP from the register of LLPs.
- Additionally, the Registrar (C-PACE) must ensure that if the LLP has any remaining assets or liabilities, adequate measures are in place for the realization of assets and the settlement of liabilities. This means that before striking off an LLP, the Registrar (C-PACE) will need to be satisfied that all financial obligations are duly addressed.

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3. Undertakings and Assurances

The amendment empowers the Registrar (C-PACE) to seek undertakings from the LLP's partners or other persons in charge of its management. These undertakings may be required to ensure that all obligations and liabilities are met before the LLP is struck off. This provision provides an added layer of assurance that the closure process is handled responsibly, with due consideration for any outstanding dues or obligations.

Weblink

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NDY1NTI2ODU4&-docCategory=Notifications&type=open>

Therefore

The recent amendments to the Limited Liability Partnership Rules represent a forward-looking approach by the MCA to enhance the ease of doing business and ensure a more efficient regulatory environment for LLPs. These changes not only align with global best practices but also reflect the government's commitment to support the small businesses and startups in India.

