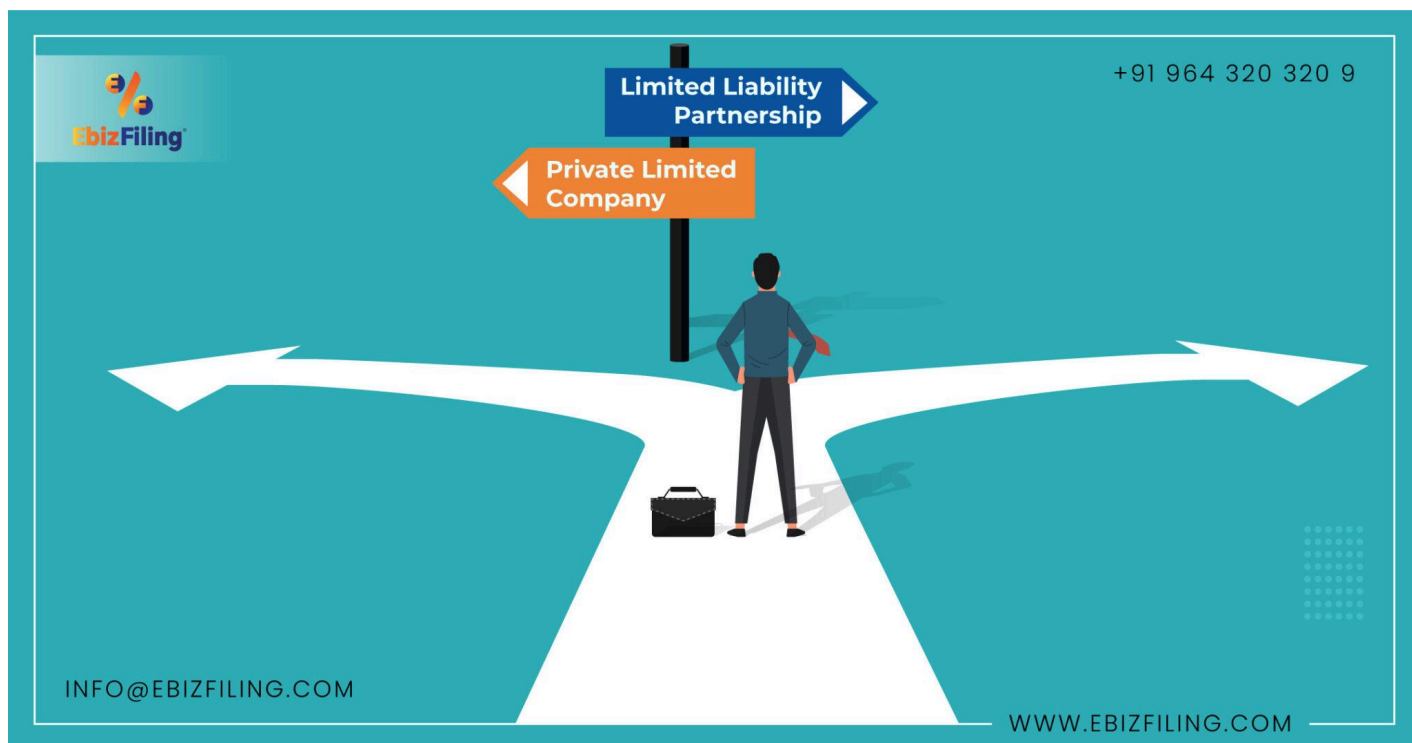




LLP vs Private Limited Company — A Comparative Analysis



Comparison of Two Key Business Structures in India: LLP vs. Pvt. Ltd.

Private Limited Company (Pvt Ltd) and Limited Liability Partnership (LLP) are two often encountered company forms that entrepreneurs encounter while launching a new enterprise in India. Both are governed by separate statutes, the Limited Liability Partnership Act of 2008 and the Companies Act of 2013, respectively. While these organizations have some things in common and provide services ideal for companies of different sizes, they also differ noticeably from one another. In this post, we shall contrast Pvt Ltd and LLP from the viewpoint of an entrepreneur starting a new business.

Let's start by determining what Pvt Ltd and LLP mean:

1. Pvt Ltd: For small firms, a [Private Limited Company](#) is a privately held corporate structure. Members' responsibility is restricted to the quantity of shares they own. It is crucial to remember that Pvt Ltd shares cannot be traded publicly.

2. LLP: A Limited Liability Partnership is a type of corporate structure that has no maximum member requirement and calls for a minimum of two members. Members of the LLP have restricted liability.

Comparison between LLP vs Private Limited Company

LLP vs Pvt. Ltd. Co., which is better? There are a few similarities as well as a few differences between both types of business organizations i.e. the Private Limited Company and Limited Liability Partnership. Let us discuss both here for better understanding:

Similarities Between Pvt Ltd and Limited Liability Partnership

- 1. Separate legal entity:** Both Pvt Ltd and LLP are treated as separate legal entities in the eyes of the law.
- 2. Tax benefits:** Both business structures are eligible for tax benefits, with a tax rate of 30% on profits.
- 3. Limited liability:** The liabilities of partners in both Pvt Ltd and LLP are limited.
- 4. Registration process:** Both Pvt Ltd and LLP need to be registered with the Ministry of Corporate Affairs.

For More details, [Watch this video](#).

Private Limited co. vs LLP Quick Comparison Table

Particulars	Pvt Ltd Co.	Limited Liability Partnership.
Law Applicable	Companies Act 2013	Limited Liability Partnership Act, 2008
Minimum share capital	No requirement for minimum share capital.	No requirement for minimum share capital
Members Required	Minimum two Maximum 200	Minimum two Maximum no limit

Directors required	Minimum two Maximum 15	Two designated partners Maximum not applicable
Board meeting	Within 120 days of the previous board meeting. Minimum 4 board meetings to be held each year.	Not necessary
Statutory Audit	Mandatory	Not compulsory unless partner's contribution exceeds 25 lakhs or annual turnover exceeds 40 lakhs
Annual Filing	Annual statement of accounts & annual return with ROC. These are filed in form AOC 4 and MGT 7.	Annual accounts and annual returns to be filed with RoC. These returns are filed in LLP form 8 and LLP form 11. Check more details here.
Compliance Liability	High Limited	Low Limited
Transferability of shares	Can be transferred easily. It can only be restricted by the Article of association.	Can be transferred by executing agreement before a notary public
Foreign Direct Investment	Eligible via automatic and government route	Eligible via automatic route
Suitable to which type	Businesses have turnover, entrepreneurs who need external funding.	Startups, Businesses, trade, manufacturers, etc.
Company Name	Should end with Pvt. Ltd.	Should end with LLP.

Advantages of Pvt Ltd and Limited Liability Partnership

Advantages of LLP

- Simple to start and run: Compared to other business arrangements, LLPs require less formalities and are easier to start and run.
- Lower registration cost: Compared to forming a corporation, registering an LLP is less expensive.
- An LLP is regarded as a corporate entity that exists separately from its partners.
- There is no set minimum capital requirement when starting an LLP; any minimum capital can be used.

Advantages of Pvt Ltd

- Pvt Ltd companies are exempt from the requirement for a minimum capital investment.
- Members of Pvt Ltd firms are protected by limited liability, which limits their exposure to losing their personal assets.
- Pvt Ltd firms are recognized as separate legal entities that are not related to their members.
- Potential for external finance: A Pvt Ltd firm is the best option due to its structure and reputation if you need external funding and want to generate a sizable amount of

revenue.

Conclusion

Pvt Ltd and LLP share certain similarities, but they also have some key structural and organizational differences. A Pvt Ltd firm is an appropriate business form if you are an entrepreneur looking for outside capital and seeking significant growth. On the other hand, an LLP would be the best option if you want to launch a business with several partners and limited liability. To choose the best solution for your company venture, it is crucial to thoroughly analyze your unique requirements and speak with professionals.