

LL.M Thesis

**POTENTIALS AND IMPLEMENTATIONS OF LIMITED LIABILITY
PARTNERSHIP IN PAKISTAN: A COMPARATIVE STUDY**



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DEDICATION

I would like to dedicate this paper to Almighty ALLAH, Who has created me as human being and helps me in difficulties.

I would also like to dedicate this research to my parents without their support and help I could not be able to complete this paper.

I would also like to dedicate this research to my supervisor without his help I could not be able to complete this paper.

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LITERATURE REVIEW

Though research has been conducted on this topic, and the researcher went through different Articles and Books of other Authors of different jurisdictions but in Pakistan no research is done on implementations and its potential, and how does it affect the status of general partnerships after passing of this law. Partnership Act, 1932 and Companies Act 2017 and Limited Liability Act, 2017 has taken into consideration heavily.

In an article ‘Limited Liability Partnerships: The Next Step in the Evolution of the Unincorporated Business Organization’ by Robert R. Keatinge, Allan G. Donn, George W. Coleman and Elizabeth G. Hester¹ the limited liability partnership is discussed and its impact on all kind of small businesses is discussed and by reading the article the importance of LLP could be judged but again in Pakistan there is highly need to promote and implement the concept of LLP because those researches are in the context of Pakistan. No research is done on its potentials and its applicability. There are many areas to work on and many questions to answer.

In another article ‘The Limited Partnership’ published by The Yale Law Journal, Vol. 45, No. 5 (Mar., 1936), pp. 895-907 the structure and model of LLP is discussed and by following there model and footsteps we can get benefits from the concept of LLP.’² In Pakistani context as according to my search, no research has been conducted till this time that directly deals with this topic. This area has not been covered by anyone in the Pakistani context.

Limited Liability Partnership Act 2008 of India, was touched and detail study was made of it for the purpose of better view of both and for the purpose of comparison between both the acts as this research is also a comparative study.

OBJECTIVES

Unlike the rest of the world, Limited Liability Partnership (LLP) is a comparatively newer business vehicle for Pakistanis and the Act of LLP is passed recently in 2017. The reason for introduction of this business structure was to fill the gap between business firms such as sole proprietorships and partnerships, which are most of the times unregistered and limited liability companies that are governed by the Companies Act 2017. This research paper aims to define the basic concept of LLP from the Pakistan's perspective with respect to its advantages and nature and shall come up recommendations. This dissertation topic will explore if the hybrid model of the LLP is an effective model or if it is only suitable for certain business models. LLP is considered as the most suitable business format for manufacturing and services sectors in many jurisdictions of the world. Many small and medium manufacturing enterprises have enjoyed the dual advantage of less compliance with higher access to credits in the market³. LLP is the best business vehicle especially for professionals like chartered accountants, company secretary's and advocates. But in Pakistan LLP is very less known to public and people shows less interest in it as it is a new concept and people are unaware of its structure and benefit. This research will clarify and identify through critical analysis and comparative study of it with other different jurisdictions the benefits which one can get by adopting this model.

¹ ROBERT R. KEATINGE, ALLAN G. DONN, GEORGE W. COLEMAN & ELIZABETH G. HESTER, "Limited Liability Partnerships: The Next Step in the Evolution of the Unincorporated Business Organization", AMERICAN BAR ASSOCIATION, Vol. 51 No. 1 at 147-207 (Nov 1995)

² THE YALE LAW JOURNAL COMPANY, INC, 'The Limited Partnership' YALE LAW JOURNAL, Vol. 45 No.5 at 895-907 (1936)

³ ST. JOHN'S LAW REVIEW, Vol: 70 Issue:3, SUMMER (1996), NUMBER 3, <https://scholarship.law.stjohns.edu/lawreview/vol70/>.

RESEARCH METHODOLOGY

The subject is a specialized and focused with much of the research available through books and the internet. The research methodology which I select for my thesis is comparative, historical as well as doctrinal and analytical. Basically, it's library study. My primary sources are the statutes like Partnership act, 1932 and company's law ordinance 1984 and Limited Liability Partnership Act 2017 Pakistan, The research includes comparing it with the UK, USA, and India. The researcher will use to collect information's from different sources like articles, research papers and electronic media as secondary sources. Nevertheless, the quantitative approach will also be employed to some extent in using already, collected data from research carried out by other authors to help illustrate the advantage of LLP for all kind of small businesses.

1.8 SIGNIFICANCE OF THE STUDY

The study carries a high importance because the study The Partnership Act, 1932, puts unlimited liability on the partner whereas, the laws regulating the companies viz. Companies Act, 2017, wants the people running the company to comply with various provisions otherwise heavy penalty has to be paid including imprisonment. A new type of business i.e. Limited Liability Partnership (LLP) came into picture with the enactment of Limited Liability Partnership Act, 2017 (the Act), which was notified in May, 2017. This structure has become quite popular among Small and Medium Enterprises (SMEs), professional services and small businesses since this business form seeks to incorporate the operational flexibility of the partnership with the benefits of limited liability and separate legal identity of a company. Therefore, this paper discusses the differences between an LLP, a partnership and a company while analyzing the procedure for setting up an LLP, conversion of an LLP from a partnership or a company, winding up of an LLP and the taxation procedure of LLPs. The paper further

analyses the LLP Act, 2017 to gauge how LLP as a business form will benefit the SMEs. The paper also highlights the gray areas of the Act and other problems faced by LLPs via case studies and views of the experts.

1.9 Keywords

Limited Liability Partnership (LLP), Small and Medium Enterprises (SMEs), Partnership, Company, Compliance and Tax Requirements.

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