

"In accordance with the provisions of rule 120 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to inform you that Lok Sabha, at its sitting held on the 23rd October, 2008, agreed without any amendment to the Drugs and Cosmetics (Amendment) Bill, 2008, which was passed by Rajya Sabha at its sitting held on the 21st October, 2008."

MR. DEPUTY CHAIRMAN: Now we shall take up the Limited Liability Partnership Bill, 2008.

## GOVERNMENT BILLS

### The Limited Liability Partnership Bill, 2008

THE MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA): Sir, I beg to move:

"That the Bill to make provisions for the formation and regulation of limited liability partnerships and for matters connected therewith or incidental thereto be taken into consideration."

Sir, for quite some time a need has been felt for a new corporate form that would provide an alternative to the traditional partnership, with unlimited personal liability on the one hand, and, the statute-based governance structure of the limited liability company on the other, in order to enable professional expertise and entrepreneurial initiative to combine, organise, and operate in a flexible, innovative and efficient manner.

The Limited Liability Partnership is viewed as an alternative corporate business vehicle that provides the benefits of limited liability but allows its member the flexibility of organising their internal structure as a partnership based on a mutually arrived agreement. Therefore, the proposed Bill would facilitate creation of another business model which would enable growth of the economy.

The Limited Liability Partnership Bill, 2006 was introduced in the Rajya Sabha on 15th December, 2006 and was transferred to the Parliamentary Standing Committee on Finance. The hon. Standing Committee submitted its Report on 7th September, 2007. Taking into consideration the suggestions of the august Committee, the revised Bill, namely, the Limited Liability Partnership Bill, 2008 was introduced in the Rajya Sabha on 21st October, 2008. The Limited Liability Partnership Bill, 2008 is now before this august House for consideration.

*The question was proposed.*

**श्री एस.एस. अहलुवालिया (झारखंड):** मैं, The Limited Liability Partnership Bill, 2008 अर्थात् सीमित दायित्व भागीदारी विधेयक, 2008 पर बोलने के लिए खड़ा हुआ हूँ। वैसे तो आज तक हमारे यहां पहले जो परम्परागत कम्पनियां हुआ करती थीं, वे या तो कम्पनीज़ एक्ट के तहत रजिस्टर्ड कम्पनियां हुआ करती थीं या ज्वाइंट स्टॉक कम्पनियां हुआ करती थीं या पार्टनरशिप कंपनियां हुआ करती थीं। जो ज्वाइंट स्टॉक कम्पनियां हुआ करती थीं, वे भी कम्पनीज़ एक्ट - 1956 के तहत रजिस्टर्ड होती थीं। हमारे यहां जो पार्टनरशिप कम्पनीज़ थीं, वे पार्टनरशिप एक्ट - 1932 के तहत काम करती थीं। महोदय, वैसे तो सारे विश्व ने एक नए कारपोरेट का स्लैब अलग

बनाया। छोटी कम्पनियों की पार्टनरशिप में एक नया कारपोरेट युग बन रहा है और सारे विश्व को इसको अपनाने में काफी समय लगा, जैसे यूनाइटेड किंगडम है। यूरोपियन यूनियन ने भी इसका कॉम्प्लीमेंस लिया और यूनाइटेड किंगडम में इस पर विधेयक सन् 2000 में बनाया। इसके अलावा सिंगापुर जैसा देश, जो कि बहुत आगे है, वहां पर भी इसकी जरूरत महसूस करते हुए 2005 में ऐसा कानून बना। वैसे इसके मिले-जुले कानून अमेरिका में, ऑस्ट्रेलिया में, यूनाइटेड अरब में यूरोपियन यूनियन के देशों में हैं लेकिन हमारे भारत में छोटे और मझोले उद्योगों और व्यवसायों को मद्देनजर रखते हुए 1972 में भट्ट कमेटी बनी थी। उन्होंने अपनी रिपोर्ट देते वक्त ऐसा एक प्रावधान करने की गुजारिश की थी। उसके बाद small scale sector और institutional credit to small scale sector के ऊपर जो नायक कमेटी 1992 में बनी, उन्होंने भी अपनी अनुशंसा में यह बात लिखी थी। उसके बाद आबिद हुसैन कमेटी ने 1997 में, Expert Committee on Small Enterprises ने भी इसकी अनुशंसा की। फिर, एस.पी. गुप्ता कमेटी, जिन्होंने Development of Small Scale Enterprises के बारे में अपनी रिपोर्ट तैयार की, उन्होंने भी इसकी अनुशंसा की थी जिन चीजों को मद्देनजर रखते हुए एनडीए के कार्यकाल में Regulation for Private Companies and Partnership, नरेश चन्द्र कमेटी 2003 में बनायी गयी, उसकी रिपोर्ट आने के बाद एक और कमेटी बनायी गयी जो कम्पनी लॉ में ओवरऑल संशोधन लाए - जे.जे. ईरानी कमेटी बनी। उन लोगों ने भी तरह-तरह के संशोधन दिए। यह विधेयक हमारे पास 2006 में आया। 2006 के बाद यह स्टैंडिंग कमेटी में गया। स्टैंडिंग कमेटी में Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Costs and Work Accountants of India, FICCI, PHDCC, CII और ASSOCHAM के सदस्यों के साथ मुलाकात करके, उनसे बात करके एक संशोधित रिपोर्ट तैयार की गयी जिसको मद्देनजर रखकर आज 2006 का बिल वापस लेकर, मंत्री महोदय 2008 में एक नया बिल लाए हैं, जो हमारे सामने है।

महोदय, इस बिल को अगर हम ध्यान से देखें तो यह इंडिया से ज्यादा बाहर के लोगों को अट्रैक्ट करेगा। इसका सबसे पहले जो लाभ होने वाला है, वह यह है कि लॉ फर्म बनेंगी। हमारी लॉ मिनिस्ट्री भी परमिशन देने जा रही है कि विदेश के लोग इंडिया में लॉ फर्म खोल सकें। जब यह लिमिटेड लॉयबिलिटी बिल एक्ट में परिणित होगा तो सबसे पहला लाभ होगा जो लॉ फर्म हैं, वे इंडिया आएंगी। और जो वहां के सीनियर सोलिसिटर्स हैं, अटार्नीज हैं या लीगल कंसल्टेंट्स हैं उनकी यहां के लीगल लॉ कम्पनीज के साथ में अपनी एक भागीदारी होगी और लॉ फर्म एल.एल.पी. के तहत रजिस्टर्ड हुआ करेंगी। आज की डेट में जो कंसल्टेंट्स हैं, अगर विदेश से कंसल्टेंसी की कम्पनी लानी पड़ती है, जैसे प्राइस वाटर कम्पनी है या बड़ी-बड़ी कम्पनियां हैं, उन्होंने अपनी एक कंसल्टेंसी खोल रखी है। पर नीचे हमारे यहां पर विद्यमान इंटरलक्यूल्स हैं या अच्छा काम कर सकते हैं, उनको ऐसा काम करने का मौका नहीं मिलता कि वे बड़ी कम्पनियों के साथ में पार्टनरशिप करके कोई काम कर सकें। तो छोटे तौर पर, छोटे स्तर पर भी ऐसा करने का प्रावधान उपलब्ध होगा। महोदय, इससे काफी फॉरेन कोलैबोरेशन होगी। महोदय, इसमें एक प्रावधान जैसे डायरेक्टर आइडेंटिफिकेशन नम्बर दिया गया था। इसमें पार्टनरशिप आइडेंटिफिकेशन नम्बर का प्रावधान रखा गया है। अब पार्टनरशिप आइडेंटिफिकेशन नम्बर, डिन नम्बर अलग, पिन नम्बर अलग होगा। अब कोई भी आदमी अगर किसी प्राइवेट लिमिटेड कम्पनी में या लिमिटेड कम्पनी में डायरेक्टर है तो उसका एक डिन नम्बर अलग होगा और अगर वह एल.एल.पी. में पार्टनर है तो उसका एक पिन नम्बर अलग होगा। इन डेटाज को कैसे अमलगेमेट करेंगे और कैसे मिक्स करके दोनों के डेटाज को हम सही तरीके से रख सकेंगे, उसकी भी जरूरत पड़ेगी।

महोदय, इसमें एक प्रावधान है जिस पर मेरे को थोड़ी सी शंका लगती है, जो कम्पनीज एक्ट में प्रावधान नहीं है। कम्पनीज एक्ट में ऐसा कोई प्रावधान नहीं है कि रजिस्ट्रार ऑफ कम्पनीज किसी डायरेक्टर के बारे में कोई इंक्वायरी कर सके। पर शायद इस एल.एल.पी. में ऐसा प्रावधान आ रहा है कि जो रजिस्ट्रार ऑफ एल.एल.पी.

होगा वह डायरेक्टर के बारे में इक्वायरी कर सके, पार्टनर के बारे में इक्वायरी कर सके। मेरा कहना है कि पार्टनर के बारे में अगर इक्वायरी करनी है तो वह रेट्रोस्पेक्टिव इफैक्ट से इक्वायरी नहीं, पर जिस दिन से वह पार्टनरशिप कम्पनी बनी है तो उसके बाद से अगर उनको इंफॉर्मेशन चाहिए तो वह मिल सकती है। अगर रेट्रोस्पेक्टिव से शुरू करेंगे, तब यह एक इंस्पेक्टर राज शुरू हो जाएगा और फिर इस लालफीताशाही में लोग परेशान होंगे। जो हम समझते हैं कि लोग इसके प्रति आकर्षित होंगे और अपनी छोटी कम्पनियां एल.एल.पी. में रजिस्टर्ड करेंगे, लेकिन वे डर के मारे नहीं आएंगे और फिर वे प्रोपराइटरशिप और पार्टनरशिप के तहत ही, क्योंकि आप पार्टनरशिप एक्ट-1932 को रिपील नहीं कर रहे हो, वह तो रहेगा ही और जोइंट स्टॉक कम्पनी को भी रिपील नहीं कर रहे हो, तो वह भी रहेगा। फिर इसकी तरफ आकर्षित होने की जो सम्भावना है वह नहीं होगी। इंस्पेक्टर राज न हो, उसका बंदोबस्त होना चाहिए।

दूसरी बात है टेक्सेशन के बारे में। अब इसमें लिमिटेड लॉयबिलिटी का यह है कि अगर चार पार्टनर की कम्पनी है तो यह कम्पनी को टैक्स होगा, एल.एल.पी. को टैक्स होगा या जिस पार्टनर ने जितना कमाया है उस पर एल.एल.पी. का टैक्स होगा? इस पर अभी तक कोई क्लियर इंडीकेशन नहीं आया है, क्योंकि जब क्लियर इंडीकेशन आया तब आपको इंकम टैक्स में भी संशोधन करना पड़ेगा। दूसरी बात है कि जब यहां फॉरेन कोलेबोरेशन या विदेश के लोग एल.एल.पी. के मेंबर बनेंगे या पार्टनर बनेंगे, तो कई जगह डी.टी.ए. का हमारा प्रावधान है - डबल टेक्सेशन अवोइडेंस एग्रीमेंट है। वैसे करीब 72 देश हैं, जिनके साथ हमारा डी.टी.ए. तथा तरह-तरह के एग्रीमेंट हैं। पर आजकल तो सबसे ज्यादा मारिशस का नाम चलता है। तो वैसी कम्पनियां जब एल.एल.पी. में आएंगी, तो उनके ऊपर कैसा टेक्सेशन का प्रावधान रखा जाएगा। फिर कहीं वही इंस्पेक्टर राज इस एल.एल.पी. पर न पड़े, इसको बचाने की कोशिश करनी चाहिए या उसको प्रोटेक्ट करने की कोशिश होनी चाहिए। उसको प्रोटेक्ट करने की कोशिश होनी चाहिए और उसमें जरूरत पड़े तो संशोधन करना चाहिए, यही मेरा कहना है। जैसे यू.के. में एल.एल.पी. एक्ट के तहत ही एलएलपी पर ही पूरा टैक्स लगता है, लेकिन अन्य देशों में जो पार्टनर हैं, उन पर अलग टैक्स लगता है, कम्पनी को टैक्स नहीं लगता है, पार्टनर को टैक्स लगता है, जिस पार्टनर की जितनी इनकम है, उसके हिसाब से टैक्स लगता है। उसको सिर्फ एक फोरम दिया गया है, एक दफ्तर दिया गया है, एक नाम दिया गया है। किस पार्टनर की कितनी इनकम है, उसके हिसाब से उस पर टैक्स लगेगा, कम्पनी पर एक रजिस्ट्रेशन चार्ज या एनुअल रिन्युअल या पांच साल में जो रिन्युअल है, उस तरह के जो चार्जिज हैं, वे चार्जिज लगेगे क्योंकि कम्पनी का सारा पैसा एक किटी में नहीं जाता है। आपने प्रावधान किया है कि एलएलपी हो जाने के बाद, जो एलएलपी की सील होती है, वह रजिस्टर्ड ऑफिस में रहती है। उसको एक ही आदमी यूज कर सकता है अर्थात् जो कम्पनी का मैनेजिंग डायरेक्टर है या कम्पनी का सेक्रेटरी है, वही यूज कर सकता है। किन्तु एलएलपी में यह प्रावधान होगा कि एलएलपी के जितने पार्टनर्स हैं, वे सब लोग उस सील को यूज कर सकते हैं। जब ऐसी बात होगी तो उन सबका एलएलपी में इंडिव्युअल एक-एक स्टेटस बनेगा और उनका सबसे बड़ा मुद्दा टैक्सेसन का उठेगा, उसको देखने की जरूरत है।

यह एक नया विधेयक है और यह एक नया रास्ता खोलेगा। इसमें सर्विस इंडस्ट्री को इन्क्लूड करने की जरूरत है। मैं तो आपको एडवोकेट का उदाहरण दे रहा था, कंसल्टेंट का दे रहा था, चार्टर्ड एकाउंटेंट का दे रहा था, वैसे ही आज सॉफ्टवेयर इंजीनियर्स हैं, नेटवर्किंग इंजीनियर्स हैं, उनका भी विदेशी कम्पनियों के साथ में टाई-अप हो सकता है। विदेशी इंडिव्युअल के साथ में, इंडियन इंडिव्युअल का टाई-अप हो सकता है और वह एक एलएलपी फॉर्म कर सकता है। वह इंटरनेशनली भी रिकग्नाइज्ड होगी और इंडिया में भी रिकग्नाइज्ड होगी, जिसके कारण उसको वहां भी लाभ मिलेगा, यहां भी लाभ मिलेगा। यही बात कह कर मैं इस बिल का समर्थन करता हूँ। धन्यवाद।

SHRI SHANTARAM LAXMAN NAIK (Goa): Sir, I stand here to support the Limited Liability Partnership Bill, 2008. This is a novel concept, and the Minister deserves congratulations for bringing

forward this Bill. In fact, we were very much worried as to whether this Bill would be introduced at all or not. But the Minister was very keen to bring in this Bill. In fact, this is a concept which has to be introduced in this country. It will help small businesses including small scale industries and small service enterprises. And, ninety per cent of our SSIs are proprietorship firms. They are exposed to unlimited liability. Therefore, for them, this is a chance to come into the 'limited liability' concept. Therefore, this Bill deserves to be appreciated.

Sir, in the Statement of Objects and Reasons, it has been mentioned, and I read: "The LLP form would enable entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP would also be a stable vehicle for small enterprises." This goes to show the substance of the entire Bill. But I would like to mention one thing. This Bill provides for entering into agreements by the partners. And, if agreements are entered into, then the provision of the entire Bill practically does not operate. This Bill gives power to partners to enter into their own agreements, and that will be the law. I do not know how far this will help the system to operate. The entire law can be thrown to winds if only the agreement which is provided in the Bill becomes operational. I do not know whether there can be any restriction for the purpose of any clause in this agreement because the agreement will be substituted; that may not be there for a particular purpose. So, the hon. Minister may please reply to this query. Then, there is an impression that this has come only because of taxation benefit, etc. Such an impression should not go. Then, Ahluwaliaji has justified the delay in bringing in this concept. I would say that this concept was born some years ago. It should not have taken time. In fact, the Hussain Committee was there, the Naresh Chandra Committee was there and the J.J. Irani Committee was there when this concept was being developed. In India, whenever such a concept comes and it is liked, it takes years together to take the form of legislation. I would say, in general terms, that if any concept is good, then it should be brought in at the earliest. Now, this concept came to the United States, sometime in 1990, in the U.K., sometime in 2001, and so on. As far as taxation is concerned, there is some conflict between the provisions in the Act and the provisions in the Income Tax Act. The Minister has to clarify whether there are any contradictions, as has been apprehended.

Then, unfettered powers are given to the Central Government to declare any of these firms as companies. Now, if, without any guidelines, without any restrictions, the Government can declare a firm as a company under the Companies Act, then the concept fails. The circumstances under which a firm could be declared as a company or provisions of the Companies Act could be made applicable to The Limited Liability Partnership Bill, 2008 must be made clear.

Then, the other aspect is about rules for prescribing conditions and requirements for an individual to be designated as a partner. Normally, such qualifications are included in the basic law. If somebody is to be entitled to be a partner, a Member or a Director, such things are always included in the substantive law and not in the procedural law. I don't understand why this has been included in the procedural law.

Then, this legislation has been brought in to fill in the gap between partnerships and proprietorships because for proprietorship there is practically no law. Sometimes they are regulated under the Companies Act. But the more important thing is that there should have been an independent legislation on proprietary firms. I can understand that proprietary firms will be benefited by this legislation. But if, at all, proprietary firms were to be benefited, there should have been a separate legislation meant only for proprietary firms because they constitute the major economic or business activity. Therefore, giving them benefit under this law is one thing and making a special legislation for these proprietary firms is another. Therefore, this has to be taken into consideration.

Sir, I shall take only one or two minutes more.

Then, we have companies, partnerships, societies and so on. Speaking generally, is somebody monitoring the activities of all these registered companies, registered partnerships, registered societies under the Societies (Registration) Act? This is not being monitored. As a result, what is happening is, the Act comes into force, somebody fulfils the requirements and gets the companies or firms registered and, then, one does not know where these companies and firms are. Therefore, it is essential that an authority is created to monitor the activities of these companies, partnerships, trusts, societies, etc. Lastly, Sir, I would like to submit that nowadays there is a recession in the world economy. The laissez-faire economy, it seems, is collapsing. Now, under the new partnership concept, they can make them as members also. As far as the foreign companies are concerned, at present, I would call them 'virus'. They have got the status of a 'virus', at present. If you allow somebody to join, you are taking the 'virus' into your computer. I am saying this because of the present global position. So, if this virus enters, your whole system may collapse. Therefore, the companies have to be very careful while making any foreign company as new partners. With these words, Sir, I welcome the Bill.

SHRI PRASANTA CHATTERJEE (West Bengal): Mr. Deputy Chairman, I have two-three points to make here. We all know that this is a fresh Bill incorporating many suggestions of the Standing Committee. Sir, this Limited Liability Partnership Bill, 2008 has come before the House for approval. It is a Rajya Sabha Bill. Sir, our main apprehension is this. We want to be satisfied that the Indian LLPs should not suffer any discrimination or disadvantage in competition with the foreign LLPs. I would like to know from the hon. Minister as to how they would ensure and guarantee that. I have gone through the observations of the Standing Committee. It also emphasised that problem in its Report. That is number one.

Then, there are different views, as also elaborated in the Standing Committee, regarding the tax regime for LLPs. Now, the other point is to ensure financial discipline. I want to know from the hon. Minister as to how the proposed Bill has guaranteed that the LLPs will be under the obligation to maintain accounts reflecting the true picture. Sir, in the Bill, as per the clause relating to financial disclosure, the accounts of limited liability partnership shall be audited in accordance with such rules as may be prescribed. But, in the proviso provided there, it is stated that the Central Government may, by notification, in the Official Gazette exempt any class or classes of limited liability partnership from the requirement of this sub-clause. I would like the hon. Minister to clarify this. In the beginning,

it has been stated that it shall be audited. Then, in the proviso, there is another provision for exemption by the Central Government through a notification. I want the reaction of the hon. Minister on this.

Sir, my last point is that the Standing Committee has advised for consequential amendments in statute, relating to any specific profession, trade or activity, the Income-tax Act, for taxation purposes. It has been reported in the Standing Committee Report that the processes of amendments have already been initiated by the Ministry. The Committee desires that the question of consequential amendments in other Acts be taken up with the concerned Ministries to ensure that there are no bottlenecks in realising the objectives of the LLP Bill. How that has been taken up with the other Ministries? What is the position? I would like the Minister to clarify on all these. Thank you.

SHRI Y.P. TRIVEDI (Maharashtra): Respected Sir, this is a Bill which was long overdue. The 1932 Act had almost become outdated. So, there was a necessity. When we go abroad and see the partnership firms, they have got more than a hundred partners. In many of the cases, there was a directory of partners; one will have to find out who is the partner and where and at what place he is. So, this is a step in the right direction. Something is stated about the assessment, how this limited partnerships are to be assessed. Two suggestions were there. One is to grant some sort of a registration and thereafter assess each partner in respect of the income which he derives from the partnership firm. This is something which was tried in respect of the assessment of partnership firms even in the past; and it had to be given a go by because it created a lot of complications and a lot of litigations as to when the registration is to be granted and when registration is not to be granted, what the requirements are, whether the thing is procedural or substantive, who the genuine partner is, who is not a genuine partner, etc. All these complications had arisen for the sake of granting registration of the partnership firms and a lot of litigations had taken place.

I think, it will be in the fitness of things if this limited partnerships are assessed like any other entity. Just an individual association of persons, Hindu Undivided Families, corporations or any other body of individuals or association of persons are assessed, in the same way this limited partnership also should be assessed. For that, simple amendments are necessary. The first thing is to make an amendment in the definition section of the Income-Tax Act. Assessee which includes, at the moment, only individual HUF, partnership firms and limited companies, association of persons and body of individuals should also include limited partnerships. That will be the end of the whole thing. More than that, if the rates will be the same, there will also be simultaneous amendments at the time when the Finance Minister presented. The rates which are prescribed for companies, partnerships and other entities, the same will be applied to the limited partnerships.

Something more which is necessary, needs to be done at the moment, for the assessment of partnership firms, the remuneration paid to partners should not be a device for the purpose of reducing the tax liability of that entity and it should be restricted to an extent. That type of restrictions should also be imposed in the case of limited partnership Acts, when one partner might draw a large remuneration and he will not be subjected to the same level of tax which is paid by the limited partnership. Also, if the interest is paid on capital contributed by the partner, there also, there should be some provision to limit that interest, so that by way of interest also, a large amount of income is

not siphoned off. With those precautions and a slight amendment in the Income-Tax Act, this particular entity should be assessed as such. This will serve the purpose.

Otherwise, it is a very good Bill. We strongly support it. Thank you.

SHRI PREM CHAND GUPTA: Sir, first of all, I would like to thank the hon. Members for participating in this debate. Sir, this is true that it is a new mode of doing business, it is a new platform for which new bodies can be incorporated. Sir, you yourself is an eminent Chartered Accountant and you know the importance of this new mode of vehicle. Sir, we had been having various committees from 1972 to as late as 2005. The Government, after adopting an absolute consultative process, we have come to the conclusion and framed this new Bill for consideration of the hon. House.

Sir, I am thankful to Mr. Ahluwalia who is not there. He has taken a very pragmatic view about this and he set the debate in motion by supporting this Bill. Sir, the issues raised by the hon. Members are more or less the same. I would like to clarify those points. Mr. Ahluwalia said that foreigners would be benefited more from this new mode of vehicle. Sir, it is not so. In fact, our professionals would have a larger and greater opportunity to form LLPs, to be a part of LLPs and have their business globally. What is happening today, Sir is, our professionals cannot compete with large companies. They cannot provide multi-services from one platform like Chartered Accountants. They cannot have Company Secretaries as their partners. In this new mode of business LLP can have a Chartered Accountant as well as a Cost and Works Accountant and an auditor as a partner in this and provide all the services from one platform. So, the thinking that the foreigners would be benefited more, I would say, is not true. In fact, they conform that our professionals are recognised the world over. They are capable and they have the capacity to expand their professional expertise over the globe. In fact, they can join hands; they can form LLPs with established foreign firms and provide service globally, not only in India but everywhere in the world. The only thing required is that there has to be two designated partners. Out of these two, one has to be a resident in India. It is not obligatory that he has to be a citizen of India. The designated partner has to be a resident in India so that he can comply with all the rules and regulations and requirements and compliances so that there is no violation.

Coming back to the issue, as raised by Mr. Ahluwalia about partnership identification number, Sir, he has a very valid point. I fully support him and I agree with him but the problem was that we didn't have this model of firms and businesses earlier. What has to be done? Once the LLP mode of business is in place today, then, in future the convergence can take place. Not today. But sooner or later the convergence has to take place. It is called 'designated partnership identification number'. That is compulsory; otherwise, fly by night come into effect and they take investors, partners and shareholders for a ride. But in this case they can take other stakeholders for a ride. So, designated partnership identification number is necessary.

Sir, one common point raised by all the hon. Members is about taxation. I fully agree with Shri Prasanta Chatterjee that our LLPs should not have disadvantages as against foreign LLPs. Sir, we have adopted best international practices from different countries, Singapore and UK. These are the

two modern laws which we have kept in mind. This new Act is based on modern, best practises, and I am sure that our LLPs will not be out of place. The taxation issue has to be resolved by the Ministry of Finance as we have income tax in place. But, I understand that once the Bill is passed, once it becomes an Act, then the consequent amendments take place. With regard to other issues like making it possible for other professionals like CA to do auditing services or foreign advocates to do practice, etc., I would say that relevant Acts have to be amended.

As far as powers of the ROC are concerned, the ROC can obtain any information from the designated partner or partners or other employees of LLP. It is necessary. It is in the interest of investor and other stakeholder. So, I think, we should not have any objection.

Sir, Shri Shantaram Laxman Naik said that the Bill has been delayed enactment. Sir, it is better late than never. Sooner or later we have brought it before the House, he should appreciate it.

Another issue raised by Shri Ahluwalia. The Naresh Chandra Committee had recommended LLP only for professionals. But, we have taken a wider view and we have covered any SME or any body or even a body corporate can be a partner in LLP. So, we are providing a much wider base to our professional and our companies.

As far as rule-making power is concerned, it has been felt in the past that unless the Government has the rule-making power, the need-based rules cannot be framed. Otherwise, every time we have to come before Parliament for its approval and that is a lengthy procedure.

Sir monitoring is another issue. As I said, partnership firms are looked after or monitored by the State Government concerned. In the case of companies, it is done by the ROC. Similarly, LLPs would also be regulated by the ROCs.

Formulation of LLP can be done through e-governance system. That has been decided.

Shri Y.K. Chaturvedi has also raised the taxation issue which I have already explained. We will address, suitably, once the LLP Bill becomes an Act.

With these words, I once again thank all the hon. Members who have participated in the discussion and, now, I would request the House that the Bill be taken up for consideration. Thank you.

THE DEPUTY CHAIRMAN: Now, the question is:

That the Bill to make provisions for the formation and regulation of limited liability partnerships and for matters connected therewith or incidental thereto be taken into consideration.

*The motion was adopted.*

THE DEPUTY CHAIRMAN: We shall, now, take up Clause-by-Clause consideration of the Bill.

*Clauses 2 to 81 were added to the Bill.*

*The First Schedule, the Second Schedule, the Third Schedule and the Fourth Schedule were added to the Bill.*



*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI PREM CHAND GUPTA: Sir, I beg to move:

That the Bill be passed.

*The question was put and the motion was adopted.*

THE DEPUTY CHAIRMAN: The House is adjourned to meet at 2.30 p.m.

*The House then adjourned for lunch at nine minutes past one of the clock.*

*The House re-assembled after lunch at thirty minutes past two of the clock,*

MR. CHAIRMAN in the Chair.

**The Airports Economic Regulatory Authority of India Bill, 2008**

MR. DEPUTY CHAIRMAN: We will now take up the Airports Economic Regulatory Authority of India Bill, 2008.

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL):  
Sir, I beg to move:-

"That the Bill to provide for the establishment of an Airports Economic Regulatory Authority to regulate tariff and other charges for the aeronautical services rendered at airports and to monitor performance standards of airports and also to establish Appellate Tribunal to adjudicate disputes and dispose of appeals and for matters connected therewith or incidental thereto as passed by Lok Sabha be taken into consideration."

Mr. Deputy Chairman, Sir, I place before this august House the Airports Economic Regulatory Authority of India Bill, 2008 which was passed by the Lok Sabha on the 22nd of this month. As the hon. Members are aware, due to growth in the Civil Aviation sector, and also courtesy my friends sitting on the other side, there has been felt a need to improve and upgrade the Airport infrastructure in our country. The Airports Authority of India Act, 1994 and the Aircraft Rules, 1937 were amended to enable the participation of the private sector in the Airport sector for improving quality, efficiency of services, and also for increasing competition. As a result of these initiatives, Sir, many greenfield airports have now commenced operation in our country; notable amongst them are the Bangalore and the Hyderabad airports. And, also, earlier, a similar endeavour was made in the case of the Cochin Airport, which is also now a very successful model. In keeping with these trends of public-private partnership in the upgradation of our airport infrastructure, major airports of Mumbai and Delhi are also now restructured through a joint venture. And the major modernisation and upgradation of these two airports is also underway. Also, Sir, in the recent past, the Government of India has approved a new policy for the construction of greenfield airports and also upgradation of various other airports in the country. And the new Greenfield airport policy also envisages similar to what was done in Hyderabad and Bangalore, that is, the creation of more airport infrastructure through the PPP route. We will, certainly, see in the coming years a major upgradation and modernisation programme of various airports as well as construction of new airports. Sir, airports, wherever they are situated, are, virtually, a natural monopoly. Therefore, it is important that tariff fixation and other issues related to the economics of an airport and the level of services which they render are monitored in a diligent manner. Further, also, there is a need to create a level playing field amongst