

ICAI (AGGREGATION OF LLPs) GUIDELINES 2024



COMMITTEE FOR AGGREGATION OF CA FIRMS
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[Set up by an Act of Parliament]

INTRODUCTION

In exercise of the powers conferred by Section 15(2) (fa) of the Chartered Accountants Act, 1949, as amended from time to time, the Council of the Institute of Chartered Accountants of India hereby makes the following Guidelines, namely:-

1. Short title and commencement

- (1) These guidelines are called ICAI (Aggregation of LLPs) Guidelines 2024.
- (2) It will be effective from the date of its notification in the gazette of India.

2. Definitions

In these guidelines, unless the context otherwise requires, the following expression shall have the meaning assigned to it in the respective definition:

- a. Institute/ICAI: 'Institute'/ 'ICAI' means the Institute of Chartered Accountants of India established under section 3 of the Chartered Accountants Act, 1949.
- b. Council: 'Council' means the Council of the Institute constituted in accordance with Section 9 of the Chartered Accountants Act, 1949.
- c. Act: ' Act' means the Chartered Accountants Act, 1949 (No.38 of 1949) as amended from time to time.
- d. Limited Liability Partnership/LLP: 'Limited Liability Partnership'/'LLP' shall have the meaning assigned to it in section 2(ca) of the Act and registered with ICAI.
- e. Parent LLP: Parent LLP means LLP consisting of more than 50% of Chartered Accountants as its partners which is admitting another LLP as its partner.
- f. Partner LLP: Partner LLP means LLP consisting of more than 50% of Chartered Accountants as its partners which is joining another LLP as a partner.

3. Eligibility

- 1. Any full-time practicing Chartered Accountant/(s) (CA) or Limited Liability Partnership (LLP) where more than 50% of partners are practicing Chartered Accountants registered with ICAI may form a new LLP or join an existing LLP as a partner provided that the individual full time practicing Chartered Accountants should not be less than two at any given time in compliance with Section 7 of the LLP Act,2008. The same is applicable to both parent/partner LLP.

2. The majority or more than 50% criteria for the purpose of computing eligibility shall be calculated both on the basis of the number of partners as well as their aggregate share of profits in the LLP so that the majority criteria is established both for parent and partner LLPs.
3. The number of individual partners, shall at all times, be in majority, i.e., more than 50% both in numbers of partners as well as their aggregate share of profits vis-à-vis the LLP partners.
4. The partner LLP can become partner of only one parent LLP under these guidelines. Similarly, parent LLP cannot become partner of any other LLP.

4. Governing Provisions

1. The constitution of LLP will be governed by the applicable provisions of 'Chartered Accountants Act 1949', 'LLP Act 2008', 'Council guidelines for conversion of CA Firms into LLPs 2011' as amended from time to time, MCA circulars issued on the subject among others as amended from time to time.

5. Naming Clause

1. When four Indian LLPs, viz. A & Co. LLP, B & Co. LLP, C & Co. LLP and D & Co. LLP, where more than 50% of partners are practicing Chartered Accountants (CAs) and are registered with the Institute as per the stated criteria may come together to form a LLP or join existing LLP as partners as per the applicable provisions of 'Chartered Accountants Act 1949', 'LLP Act 2008', 'Council guidelines for conversion of CA Firms into LLPs 2011', MCA circulars issued on the subject among others as amended from time to time.
2. In case a new LLP is being formed for availing the benefits under these Guidelines, the name approval process shall be in line with the Regulation 190 of the Chartered Accountants regulations 1988, Council guidelines for conversion of CA Firms into LLPs 2011, MCA circulars issued on the subject from time- to-time, applicable provisions of the LLP Act 2008 and the practice followed by the ROC from time to time.

6. Registration

1. The LLPs should have to register under these guidelines with the Institute and the details of all the partner LLPs will be given effect in the records to reflect the combined strength, geographical presence among others and a firm registration number be given as per the procedure followed in case of any other Chartered Accountant LLP.

7. Practice

1. The Board of Management shall be constituted by the parent LLP and it should comprise of the authorized Managing Partners from the partner LLPs and the parent LLP's decision shall prevail over other partner LLPs for all assurance, non-assurance audit works and for other assignments.
2. The Board of Management shall draw its powers and authority in accordance with terms outlined in the written deed agreed upon by all the partners that shall be

subject to and in compliance with the provisions of the Chartered Accountants Act 1949, LLP Act 2008, ICAI's Code of Ethics and Council Guidelines among others from time to time.

3. The Board of Management shall be constituted under these guidelines, comprising of the authorized Managing Partners from the partner LLPs, that shall ensure –
 - (a) regulatory and legal compliances,
 - (b) manage affairs of the firm,
 - (c) undertake strategic decisions including but not limited to business strategy, financial management, profit appropriation, cost sharing, hiring of personnel, risk management, infrastructure expansion, etc.,
 - (d) entire process of registration at the SSP portal of ICAI through online mode,
 - (e) all the documents pertaining to the firm/(s)/practice like partnership deed, papers relating to resignation or joining of partners, employment and relieving of qualified assistants, papers and details regarding the approvals given for any constitution or re-constitution of the firm, etc. from time to time which may be called upon by the ICAI in case they are required for any dispute or any enquiry or confirmation required by the ICAI,
 - (f) clearly state to the incumbent partner LLPs about the restrictions of audit or non-audit works likely to arise from Section 144 of the Companies Act 2013 or any issue in code of conduct or ethics or in any Governing law applicable to the LLP firm at the time of joining itself,
 - (g) establish dispute resolution mechanism to review the matters among parent LLP, partner LLPs and individuals in LLP/(s) and endeavour to reach a mutually acceptable resolution within a reasonable timeframe, if the disputes remain unresolved, it shall proceed to mediation or shall be referred to arbitration in accordance with the Arbitration and Conciliation Act, 1996,
 - (h) decide upon the participation of the parent LLP or partner LLPs in empanelment or tendering processes,
 - (i) clearly lay down the reconstitution mechanism encompassing the joining or suspension of partners of parent LLP, partner LLP and individual partners of LLP/(s),
 - (j) decide upon the matters relating to goodwill, settlement of accounts and clients in case of reconstitution or dissolution among others, and
 - (k) Or any other matter agreed amongst them.
4. Rotation of audit and joint audit amongst partner LLPs will not be permitted.
5. The LLPs associated as partners of the LLP (i.e. partner LLPs) are bound by written deed and may also practice as independent LLP firm simultaneously, subject to terms of written deed.

8. Characteristics

1. Partner LLPs come together under these guidelines for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit as per the terms outlined in the written deed.

2. Written byelaws / agreement is entered by all firms & their partners, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines.
3. Quality control should be well documented and complied with, which is applicable to the parent LLPs and its partner LLPs.
4. Since all LLPs either parent or partner are LLPs registered with ICAI, referral of work and sharing of fees/ profits amongst them is permitted as per the applicable provisions of Chartered Accountants Act 1949.

9. Reconstitution

1. Reconstitution must be registered with ICAI and with others regulatory bodies following the due procedure as per the applicable laws from time to time.
2. However, any change in the partners of a LLP shall not affect the existence, rights, or liabilities of the limited liability partnership, as per the Section 3(3) of the Limited Liability Partnership (LLP) Act, 2008.
3. Reconstitution will not deprive the remaining partner LLPs of the parent LLP from continuing the work they have already secured by virtue of parent LLP.
4. The reconstitution in any of partner LLP must ensure that the partners in the reconstituted LLP are also bound by the agreement entered by it with parent LLP.

10. Exit/Closure

1. The laid down process for exit as a partner LLP from a parent LLP or the closure of the LLP as per the applicable rules of ICAI, LLP Act 2008, procedures followed by the ROC/Registrar of firms among others shall be followed.

11. Miscellaneous

1. Document repository in line with the 'Digi Locker' is proposed to be provided, named as "Doc Locker", to LLPs opting for these guidelines to place their documents in a secured vault and can access, use and submit the documents hassle free, duly integrated with the SSP. This "Digi Locker" can be used for other purposes also. The said arrangement will encourage the LLPs to take the leverage of tech-infrastructure provided by ICAI while collaborating and networking.
2. A Grievance Redressal Cell under the aegis of M&SS Directorate will cater to the queries on the emerging issues under these guidelines.
3. As per the provisions of the LLP Act 2008, a body corporate constituted within, or outside India is eligible to be a partner in the LLP. However, under these Guidelines, a body corporate which has been incorporated as a Company under Companies Act 2013 in India or under applicable laws outside India has not been permitted from being eligible to be a partner to parent LLP, in alignment with the provisions of Section 25 of the Chartered Accountants Act 1949.