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REASONS WHY IT MAY BE BENEFICIAL TO CONVERT A LIMITED LIABILITY COMPANY TO A PARTNERSHIP BUSINESS

1.) FLOW OF ASSETS : Partnerships, not being separated from their owners can fluidly move assets in and out of the business. Owners can ata any time decide to inject more cash into the business from their personal funds or take more earnings out of the business. Because in the end, taxes fall on the owners anyway, there is nothing stopping them from moving money, property and other goods in and out of the service of the partnership. In a limited liability company, property and money must be accounted for carefully and transfer of physical property (land or chattel) must be legally recorded.

2.) WINDING UP : A partnership firm can be wound up at any time by any partner if it is at will, without any legal formalities. But winding up of a limited liability company is a long and painful process. A company is a legal entity therefore, a law gives birth to a company so only law can kill it.

3.) REGISTRATION : It takes one day to register a partnership firm. While a limited liability company registration is a 2 – 4 week long process. Limited liability company incorporation is also more expensive.

4.) TAXES : The profits and losses of partnerships are passed through to their owners, who then incorporate them in their personal income tax. Limited liability companies being entities on their own right are taxed, and the profits alone are passed to the owners who are then also taxed on them. Therefore, partnerships avoid the double taxation issue. Additionally, in limited liability companies, losses are not passed through to the owners. This takes away the owners’ ability to receive additional tax relief when their businesses perform poorly.

5.) PROFITS : Being a partnership, the business owners necessarily share the profits, liabilities and decision making. Therefore, owners of partnerships with huge rofits are at a great advantage.