

OPCs to boost entrepreneurship in India

The Union Budget 2021 incentivises the incorporation of One Person Companies (OPCs) by amending the Companies (Incorporation) Rules to allow OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC and allowing Non-Resident Indians (NRIs) to incorporate OPCs in India.

Earlier, NRIs were not allowed to incorporate OPCs. Now, any Indian citizen, whether resident in India or otherwise, would be allowed to form an OPC. The amendments also reduce the residency period for NRIs from 182 days to 120 days for being considered as a resident in India.

The provisions permit conversion of OPCs into Public or Private companies anytime, removing the compulsory wait period of two years. Similarly, the limitations of paid-up capital and turnover presently applicable for OPCs (paid up share capital of Rs. 50 lakh and average annual turnover of Rs. 2 crore) have been done away with.

The provisions also do away with the requirement of holding board meetings and financial statement inclusions. While the Budget announcements entail easing of compliances, they will also enable smooth transitioning for startups into private or public limited companies for raising equity capital. The provisions will also help entrepreneurs protect their personal assets in case of default.

OPCs will be able to avail benefits of government schemes and the amendments will give greater operational freedom to startups/entrepreneurs unlike proprietorships that restrict growth of the enterprise or public/private limited companies that require higher regulation.

While encouraging OPCs will bolster the startup ecosystem in India, and encourage research and building new technologies, it will also improve their ease of operations and doing business, thereby enhancing growth prospects for Indian entrepreneurs and embarking the economy on a developmental trajectory.

Notifications

PIB

PM lays the Foundation Stone of key infrastructure projects in West Bengal

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1696005>

Government allocates Rs. 16000 crore for Pradhan Mantri Fasal Bima Yojana

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1695990>

1st India-EU High Level Dialogue on Trade and Investment held

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1695708>

Four more States complete ease of doing business reforms

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1695747>