

ONE PERSON COMPANY

The One Person Company (OPC) is a recent concept of business owing its birth to Companies Act, 2013. OPC is proprietorship clothed in the structure of a company to support entrepreneurs who on their own are capable of starting a venture by allowing them to create a single person economic entity. It retains the advantages of proprietorship like decision making authority, minimum compliance and combines with advantages of companies like separate legal entity, limited liability and perpetual existence. However, if an OPC company has an average hattrick turnover of Rs. 2 crores and over or acquires a paid-up fund of Rs. 50 lakh and over, it has to be converted to a private limited company or public limited company within six months. Every One Person Company (OPC) must nominate a nominee Director in the MOA and AOA of the Company - who will become the owner of the OPC in case the sole Director is disabled.

❖ **Why One Person Company?**

An OPC offers the following perks to investors.

▪ **Separate Legal Entity**

Unlike a proprietorship or partnership, OPC is a separate legal entity in line with LLPs and private limited companies. This gives its contractual ability to sue, own property, open bank accounts etc.

▪ **Limited Liability**

Since OPC is a separate legal entity, sole shareholder or director are not personally liable for the debts of the company. Their liability is limited to the extent of their capital contribution.

▪ **Perpetual Existence**

Sole Proprietorships come to an end with the death of the proprietor. As an OPC company has a separate legal identity, it would pass on to the nominee director and, therefore, continue to exist.

▪ **Credibility**

Since OPC is required to be audited annually by an auditor and are required to file annual returns with MCA, they enjoy higher credibility and authenticity among vendors, lenders etc.

❖ **Word of Caution**

The following factors merit attention before choosing OPC as a business structure

▪ **Compliance**

Compared to proprietorship and partnership, compliance of OPC is more since it is required by company law to have its books of accounts audited, conduct board meetings and general meetings, file returns etc. This results in time and cost

- **Limited Scope for Growth**

OPC has to be converted to private limited or public limited company if the turnover crosses 2 crores or paid up capital exceeds 50 lakhs. As such scope for growth and fund raising is limited in OPC

- **Restrictions**

OPC is held back by many restrictions like only a resident Indian citizen can form an OPC. This shuts the door before NRIs and foreign entrepreneurs. Besides, OPC cannot engage in finance business.

OPC is still a novel concept in Indian scenario and is in the process of evolution.

- ❖ **Checklist**

- ✓ Only a natural person who is Indian Citizen and resident in India can incorporate OPC.
- ✓ Resident in India means a person who had resided in India for a period not lesser than 182 days in the prior calendar year.
- ✓ Legal entities like Company or LLP cannot incorporate a OPC.
- ✓ The minimum authorised capital is Rs 1,00,000.
- ✓ A nominee must be appointed by the promoter during incorporation whom will succeed the promoter in case the promoter is disabled due to death, illness or incapacity to act as such.
- ✓ Businesses involved in financial activities cannot be incorporated as OPC.
- ✓ OPC must be converted to a private limited company when paid-up share capital exceeds Rs.50 lakhs or turnover crosses Rs.2 crores.

- ❖ **Documents Required**

- **For Directors**

The director of the OPC should submit the scanned transcripts/ copies of the following documents mandatory for OPC registration-

- ✓ PAN card or Passport
- ✓ Scanned transcript of Driver's License or Voter's ID
- ✓ Updated gas or electricity invoice/Bank account Statement/Mobile or landline phone invoice
- ✓ Specimen signature or impression
- ✓ Passport-sized photo

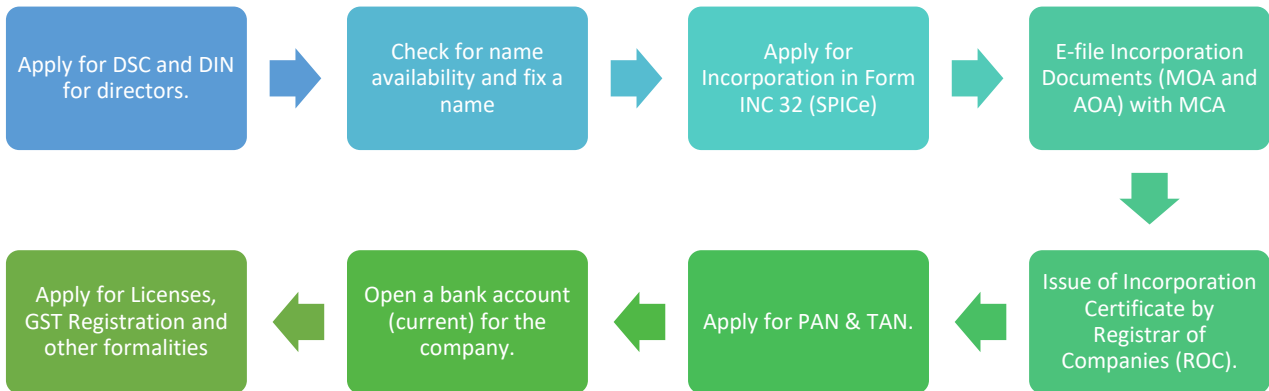
Please Note: The first 3 documents should be self-attested by the OPC director. All the documents for a foreign national or an NRI must be notarized (if residing in India or a non-Commonwealth country at present) or apostilled (if living in a Commonwealth country at present).

- **For Registered Office**

- ✓ Scanned transcript of Current Bank Account Statement/Phone or Mobile Invoice/Gas or Electricity Invoice)
- ✓ Scanned transcript of Rental Agreement written in the English language

- ✓ Scanned transcript of No-objection Certificate from the concerned property landowner
- ✓ Scanned transcript of Property or Sale Deed printed in English (if the property is owned).

❖ Incorporation Process Flow



❖ Expected Delivery Time – 10-24 Days

