

COMPANY RULES LIBERALISED, FAST TRACK PROCESS FOR MERGERS EXTENDED TO START-UPS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Previously NRIs were not allowed to incorporate One Person Companies. Now any natural person, who is an Indian citizen, whether resident in India or otherwise would be allowed to form an OPC

The government on Wednesday liberalized rules for one-person companies and small companies—two special legal forms allowed under the [Companies Act](#)—and offered a fast-track merger and acquisition (M&A) process for startups.

The idea is to reduce the compliance burden and improve ease of doing business.

Also Read | [The Finance Commission doesn't rock the federal boat](#)

The corporate affairs ministry issued separate orders giving effect to new rules on one-person companies and small companies from 1 April and fast-track M&A clearance for startups with immediate effect.

As per the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021, M&As among startups and between startups and small companies will be eligible for the fast-track process.

Further liberalization of the regime of one-person companies and small companies was announced in the Union budget that finance minister Nirmala Sitharaman presented on Monday.

A one-person company has only one shareholder. Small companies are those that have less than the specified paid-up capital or sales threshold. These entities enjoy certain compliance relaxations.

Small companies need not prepare a cash flow statement as part of a financial statement. While other companies need to give details of remuneration to directors and key managerial personnel, small companies are required to give only the aggregate amount of remuneration given to directors in the annual return.

An official statement from the ministry said that rules on one-person companies and small companies were further eased to encourage unincorporated businesses to come into the fold of the formal corporate sector.

Accordingly, non-resident Indians (NRIs) can now set up a one-person company in India. Any natural person, who is an Indian citizen, whether resident in India or otherwise, would be allowed to form such companies, the ministry said.

Also, conversion of one person company into a public limited company or a private limited company is now allowed anytime. The new rules also dropped the paid-up capital and sales threshold applicable to such entities. The earlier ceiling was 50 lakh paid up capital and 2 crore turn over.

The paid up capital threshold for small companies is raised from 50 lakh to 2 crore and sales from two crore to 20 crore.

"This is expected to benefit more than two lakh companies in terms of lesser compliances, lesser filing fees and lesser penalties in the event of any defaults," the official statement said.

Click here to read the [Mint ePaper](#) Mint is now on Telegram. Join [Mint channel](#) in your Telegram and stay updated with the latest [business news](#).

Log in to our website to save your bookmarks. It'll just take a moment.

Oops! Looks like you have exceeded the limit to bookmark the image. Remove some to bookmark this image.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS