

# MCA amends One Person Companies (OPCs) rules

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- **Fast track mergers extended to Starts ups and other small companies**

As a measure which directly benefits Startups & Innovators in the country, especially those who are supplying products & services on e-commerce platforms, and in order to bring in more unincorporated businesses into the organized corporate sector, the incorporation of One Person Companies (OPCs) is being incentivized 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 from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India.

In addition, the fast track process for mergers under the Companies Act, 2013 has also been now extended to also include mergers of Startups with other Startups and with Small companies, so that the process of mergers & amalgamations is completed faster for such companies.

The amendments to the Rules governing OPCs will cover the following, w.e.f 01st April 2021 (click here for NOTIFICATION 1 & NOTIFICATION 2):

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

For being considered as a resident in India, the residency period has been proposed to be reduced to 120 days from 182 days for NRIs.

Rule relating to voluntary conversion unless OPC has completed two years from the date of incorporated is proposed to be omitted and with effect from 01.04.2021, Conversion of One Person Company into a Public company or a Private company shall be permitted anytime. A One Person company may be converted into a Private or Public Company other than a company registered under section 8 of the Act, after increasing the minimum number of members and directors to two or minimum of seven members and three directors as the case may be,

Similarly the limitation of Paid up capital & turnover presently applicable for OPCs (paid up share capital of fifty lakhs rupees and average annual turnover during the relevant period of two crore rupees) is being done away with so that there are no restrictions on the growth of OPCs in terms of their paid up capital & turnover.

Rationalization of e-forms applicable for OPCs by omitting e-Form No.INC-5 and modification of e-form INC-6 (application for conversion from OPC to a Private company or a Public company and also Private company to OPC or )

Amendment notification issued on 01.02.2021.