

Delhi, Maharashtra, UP face most regulatory action against inactive businesses

Updated: 19 Jul 2022, 01:14 PM IST

- **As per data from the ministry of corporate affairs tabled in Parliament in the monsoon session that began on Monday, over 19,400 companies incorporated in Delhi have been struck off, followed by over 16,000 companies in Maharashtra and 12,800 companies in Uttar Pradesh since April 2019.**

NEW DELHI: The national capital, Maharashtra and Uttar Pradesh have reported the highest number of inactive businesses that have been struck off from official records as part of a clean-up drive, as per official data.

Data available from the ministry of corporate affairs shows that between April 2019 and 12 July 2022, over 112,000 inactive companies were struck off under section 248 of the Companies Act, 2013.

This section allows authorities to remove the name of a company from official records if no business activity has taken place for preceding two years and the company has not sought dormant status. Companies officially declared dormant are not affected by the regulatory action against inactive companies.

Some dormant companies with little economic activity are used for illegal purposes such as tax evasion, money laundering, obscuring ownership and dealing in benami properties and are often referred to as 'shell companies' although 'shell companies' are not defined in law.

As per data from the ministry of corporate affairs tabled in Parliament in the monsoon session that began on Monday, over 19,400 companies incorporated in Delhi have been struck off, followed by over 16,000 companies in Maharashtra and 12,800 companies in Uttar Pradesh since April 2019. These are the states where the highest number of companies get incorporated every month.

Companies often end up having no economic activities or fail to even start business operations for various reasons, including genuine economic factors. Not all inactive companies are into illegal activities.

Tamil Nadu, Telangana, Karnataka and Kerala have witnessed over 6,000 companies in each case getting removed from official records in the last three years.