International Journal of Trend in Scientific Research and Development (IJTSRD)
International Open Access Journal
ISSN No: 2456 - 6470 | www.ijtsrd.com | Volume - 2 | Issue – 1

Relevance of One Person Company

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ABSTRACT

The implementation of the Companies Act 2013 an individual person can now constitute a company under the concept of One Person Company (hereinafter mentioned as OPC). The New Companies Act 2013 was approved by the Parliament in 2013. Some of the provisions of the New Company's Act 2013 came into force on September 20th, 2013 while the majority of Sections came into force from 1st April 2014. The Companies Act 2013 has introduced some new concepts in India's corporate legal system which was not part of the erstwhile old companies Act 1956. This article has been categorically scripted to present an overview about the revolutionary new concept of OPC as introduced by the Companies Act 2013. The data collected for the study was mainly from secondary sources. The various aspect of One Person Company such as its introduction, history, the concept of One Person Company, its characteristics, their role in economic development, their economic benefits.

Keywords: Company Act 2013, One Person Company, Sole Proprietorship

1. INTRODUCTION

One Person Company was introduced in India through Companies Act 2013, a new concept which brought a great relief for many Entrepreneurs. For the first time, the possibility of one man opening a company without the need of another member or partner was open. This sole property made One Person Company so popular, especially among the lone Entrepreneurs. Ones who don't want to share their powers or duties, ones who don't want to be bossed around. Also, a One Person Company is considered to be a separate legal entity which is a further bonus for the lone Entrepreneurs. Since its inception, One Person Company has introduced many new and aspiring Entrepreneurs to the world. The much hyped, OPC is definitely a trending topic nowadays. We bring you some of the trending stuff about One Person Company.

- It is a separate legal entity yet only one person is responsible for the workings of the company. A total contrast from what Sole Proprietorship offers.
- There can be only one member at a time. However, one nominee is mandatory to be appointed. This member and nominee cannot be a minor.
- Only a natural person is a citizen and resident of India can start a One Person Company. A resident of India here refers to a person who has lived in India for more than 182 days in the preceding year. Even a nominee of an OPC must fulfill these requirements.
- Anyone can start his own company due to its easy and cheap registration, limited liability and legal identity.
- An OPC can be limited by guarantee or limited by shares or an unlimited company.

2. OBJECTIVES

- To know about the concept of one person company.
- To know the benefits and challenges of one person companies.
- To know the difference between sole proprietor ship and one person company.

3. HISTORY

The Companies Act 2013 is an Act of the Parliament of India which regulates incorporation of a company, responsibilities of a company, directors and dissolution of a company. The 2013 Act is divided into 29 chapters containing 470 sections as against 658 Sections in the Companies Act, 1956 and has 7 schedules. The Act has replaced The Companies Act, 1956 (in a partial manner) after receiving the assent of the President of India on 29 August 2013. The Act came into force on 12 September 2013 with few changes like earlier private companies maximum number of member was 50 and now it will be 200. A new term of "one person company" is included in this act that will be a private company and with only 98 provisions of the Act notified. A total of another 184 sections came into force from 1 April 2014.

3.1 Key Highlights of Indian Companies Act 2013

- Maximum number of members (share holders) permitted for a Private Limited Company is increased to 200 from 50.
- One-Person company.
- Section 135 of the Act which deals with Corporate Social Responsibility.
- Company Law Tribunal and Company Law Appellate Tribunal.

3.2 Salient features of the Companies Act 2013

- **Class action suits for Shareholders:**

  The Companies Act 2013 has introduced new concept of class action suits with a view of making shareholders and other stakeholders, more informed and knowledgeable about their rights.

- **More power for Shareholders:**
  The Companies Act 2013 provides for approvals from shareholders on various significant transactions.

- **Women empowerment in the corporate sector:**
  The Companies Act 2013 stipulates appointment of at least one woman Director on the Board (for certain class of companies).

- **Corporate Social Responsibility:**
  The Companies Act 2013 stipulates certain class of Companies to spend a certain amount of money every year on activities/initiatives reflecting Corporate Social Responsibility.

- **National Company Law Tribunal:**
  The Companies Act 2013 introduced National Company Law Tribunal and the National Company Law Appellate Tribunal to replace the Company Law Board and Board for Industrial and Financial Reconstruction. They would relieve the Courts of their burden while simultaneously providing specialized justice.

- **Fast Track Mergers:**
  The Companies Act 2013 proposes a fast track and simplified procedure for mergers and amalgamations of certain class of companies such as holding and subsidiary, and small companies after obtaining approval of the Indian government.

- **Cross Border Mergers:**
  The Companies Act 2013 permits cross border mergers, both ways; a foreign company merging with an India Company and vice versa but with prior permission of RBI.

- **Prohibition on forward dealings and insider trading:**
  The Companies Act 2013 prohibits directors and key managerial personnel from purchasing call and put options of shares of the company, if such person is reasonably expected to have access to price-sensitive information.

- **Increase in number of Shareholders:**
  The Companies Act 2013 increased the number of maximum shareholders in a private company from 50 to 200.

- **Limit on Maximum Partners:**
  The maximum number of persons/partners in any association/partnership may be up to such number as may be prescribed but not exceeding one hundred. This restriction will not apply to an association or partnership, constituted by professionals like lawyer, chartered accountants, company secretaries, etc. who are governed by their special laws. Under the Companies Act 1956, there was a limit of maximum 20 persons/partners and there was no exemption granted to the professionals.

- **One Person Company:**
  The Companies Act 2013 provides new form of private company, i.e., One Person Company. It may have only one director and one shareholder. The Companies Act 1956 requires minimum two shareholders and two directors in case of a private company.

- **Entrenchment in Articles of Association:**
  The Companies Act 2013 provides for entrenchment (apply extra legal safeguards) of articles of association have been introduced.

- **Electronic Mode:**
  The Companies Act 2013 proposed E-Governance for various company processes like maintenance and inspection of documents in electronic form, option of keeping of books of accounts in electronic form, financial statements to be placed on company's website, etc.

- **Indian Resident as Director:**
  Every company shall have at least one director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

- **Independent Directors:**
  The Companies Act 2013 provides that all listed companies should have at least one-third of the Board as independent directors. Such other class or classes of public companies as may be prescribed by the Central Government shall also be required to appoint independent directors. No independent director shall hold office for more than two consecutive terms of five years.

- **Serving Notice of Board Meeting:**
  The Companies Act 2013 requires at least seven days' notice to call a board meeting. The notice may be sent by electronic means to every director at his address registered with the company.

- **Duties of Director defined:**
  Under the Companies Act 1956, a director had fiduciary (legal or ethical relationship of trust) duties towards a company. However, the Companies Act 2013 has defined the duties of a director.

- **Liability on Directors and Officers:**
  The Companies Act 2013 does not restrict an Indian company from indemnifying (compensate for harm or loss) its directors and officers like the Companies Act 1956.

- **Rotation of Auditors:**
  The Companies Act 2013 provides for rotation of auditors and audit firms in case of publicly traded companies.

- **Prohibits Auditors from performing Non-Audit Services:**
  The Companies Act 2013 prohibits Auditors from performing non-audit services to the company where they are auditor to ensure independence and accountability of auditor.

- **Rehabilitation and Liquidation Process:**
  The entire rehabilitation and liquidation process of the companies in financial crisis has been made time bound under Companies Act 2013.

3.3 New Concepts of Companies Act 2013

3.3.1 Brief description of new concepts

- **One Person Company:**
  It's a company with only one person as a member. That one person will be the shareholder of the company. It avails all the benefits of a private limited company such as separate legal entity, protecting personal assets from business liability, and perpetual succession. One Person Company (OPC) is a Company registered with ONLY ONE

PERSON as its shareholder. An OPC is classified as a private company under Companies Act.

- **Woman Directors:**
Every Listed Company and Public Company with paid up capital of Rs 100 crores or more / Public Company with turnover of Rs 300 Crores or more shall have at least one Woman Director.

- **Corporate Social Responsibility:**
It clause (135) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

- **Registered Valuers:**
It valuation by registered valuers. Clause (247) (1) Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of that company.

- **Rotation of Auditors:**
It has to comply with in three years from the commencement of the Act Section 139(3) Members of a company can provide for following by passing a resolution:
(a) In the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or
(b) The audit shall be conducted by more than one auditor. A transition period of 3 years from the commencement of the Act has been prescribed for the company existing on or before the commencement of the Act, to comply with the provisions of the rotation of auditor.

- **Class action:**
This suit (clause 245) for the first time, a provision has been made for class action suits. It is provided that specified number of member(s), depositor(s) or any class of them, may, if they are of the opinion that the management or control of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or depositors, file an application before the Tribunal on behalf of the members or depositors. Where the members or depositors seek any damages or compensation or demand any other suitable action from or against an audit firm, the liability shall be of the firm as well as of each partner who was involved in making any improper or misleading statement of particulars in the audit report or who acted in a fraudulent, unlawful or wrongful manner. The order passed by the Tribunal shall be binding on the company and all its members, depositors and auditors including audit firm or expert or consultant or advisor or any other person associated with the company.

- **Dormant Company:**
Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar for obtaining the status of a dormant company(inactive company)

- **Fast Track Mergers:**
The Companies Act, 2013 has separate provisions of fast track merger under Section 233 of Companies Act, 2013. These provisions are notwithstanding with the normal provisions of merger under Section 230 and 232 of this Act. Under fast track merger processes Central Government has the power to sanction all such scheme and there will be no requirement to approach National Company Law Tribunal (powers presently exercised by the High Court).

- **Serious Fraud Investigation Office:**
This (clause 211) statutory status to SFIO has been proposed. Investigation report of SFIO filed with the Court for framing of charges shall be treated as a report filed by a Police Officer. SFIO shall have power to arrest in respect of certain offences of the Bill which attract the punishment for fraud. Those offences shall be cognizable and the person accused of any such offence shall be released on bail subject to certain conditions provided in the relevant clause of the Bill.

4. DIFFERENCE BETWEEN COMPANIES ACT 2013 & COMPANIES ACT 1956

Sl No	Point	Companies Act 2013	Companies Act 1956
1	Financial Year	Companies must have their financial year ending on 31 Mar every year.	Companies were permitted to have financial year ending on a date decide by Company
2	Formats of Financial Statement	Schedule III	Schedule VI
3	Maximum No of Partners.	As per rules, subject to Max 100.currently is 50.	10 in banking business and 20 in any other business.
4	Max Shareholders in Pvt Ltd Company.	200 excluding past and present employees.	50 excluding past and present employees.
5	One Person Company (OPC)	Company which has only one person (natural person) as its member	Did not exist
6	Issue of Share at discount.	Section 53 prohibits issue of shares at a discount However; Section 54 permits issue of ESOPs to its employees at a discount.	Section 79 permitted issue of shares at a discount.
7	Security Premium Reserve.	Utilization of Securities Premium Reserve is provided in Section 52(2).	Utilization of Securities Premium Reserve was provided in Sec 77A and 78.
8	Article of Association	Table F applies where Companies Limited by shares does not adopt their own Articles of Association.	Table A applied where Companies did not adopt their own Articles of Association.
9	Interest in Calls in Arrears	In the absence of a clause in the Articles of Association, the maximum interest chargeable on Calls-in-arrears is 10% p.a.	In the absence of a clause in the Articles of Association, maximum interest chargeable on Calls-in-arrears was 5% p.a.
10	Interest in Calls in Advance	In the absence of a clause in the Articles of Association, the maximum interest payable on Calls-in-advance is 12% p.a.	In the absence of a clause in the Articles of Association, the maximum interest payable on Calls-in-advance was 6% p.a.
11	Minimum Subscription	Sec39 a company shall not allot Securities unless the amount stated in the prospectus as minimum subscription has been subscribed & the sum paid.	Sec 69 the requirement of minimum subscription was with respect to Shares only.

5. ONE PERSON COMPANY

One Person Company is defined in Sub- Section 62 of Section 2 of The Companies Act, 2013, which reads as follows:

'One Person Company means a company which has only one member'

It shall also be important to note that Section 3 classifies OPC as a Private Company for all the legal purposes with only one member. All the provisions related to the private company are applicable to an OPC, unless otherwise expressly excluded.

The only exception provided by the Act to an OPC is that according to the rules only "NATURALLY-BORN" Indian who is also a resident of India is eligible to incorporate an OPC. Meaning thereby, the advantages of an OPC can only be obtained by those INDIANs who are naturally born and also a resident of India. At the same, it shall also be worth mentioning that a person cannot form more than 5 OPC's.

5.1 OPC and its Formation

An OPC is incorporated as a private limited company, where there is only one member and prohibition in regard to invitation to the public for subscription of the securities of the company.

5.2 Process of One Person Company Incorporation

The process of incorporation of a one person company is a very simple one.

First the sole shareholder shall get a Director Identification Number (DIN) as well as a digital signature certificate.

⇓

Then he should apply for the name of the company

⇓

After that he should get the consent of the nominee in the prescribed forms.

⇓

Then he shall file the consent along with the final incorporation forms with the Memorandum and Articles and other required documents

⇓

After that he shall receive the final incorporation certificate from the register of companies. Now he can commence business under the name.

5.3 Features of One Person Company (OPC)

The following are the important features of the One Person Company (OPC)

- One Person Company is one of the type of Company on the basis of number of members
- One Person Company has only one person as a member/shareholder.
- One Person Company is a Private Company
- Minimum paid up share capital of One Person Company is one lakh rupees (Rs. 1,00,000)
- One Person Company may be either a Company limited by share / a Company limited by guarantee / an unlimited Company
- The words "One Person Company" should be mentioned in brackets below the name of the One Person Company
- One Person Company shall indicate the name of the nominee/other person in the memorandum, with his prior written consent
- The written consent above, shall be filed with the Registrar at the time of incorporation of the One Person Company along with its M&A (Memorandum and Articles)
- The nominee/ other person can withdraw his consent at any time
- The member/Shareholder of One Person Company may change the nominee/other person at any time, by giving notice to the other person and intimate the same to Company. Then the Company should intimate the same to the Registrar
- In case of the death of member/shareholder or his incapacity to contract, then nominee/other person become the member of the Company
- Member/Shareholder of the One Person Company acts as first director, until the Company appoints director(s)
- One Person Company can appoint maximum 15 directors, but minimum should be one director
- One Person Company need not to hold any AGM (Annual General Meeting) in each year
- Cash Flow Statement may not include in the financial statements of One Person Company
- One Director is sufficient to sign the Financial Statements/Director's Report
- Within 180 days from the closure of the Financial Year, One Person Company should file the copy of the Financial Statements with Registrar
- One Person Company should inform to the Registrar about every contract entered and also should record in the minutes of the meeting with in 15days from the date of approval by the BOD (Board of Directors)

6. SOLE PROPRIETOR VS ONE PERSON COMPANY

People usually confuse between sole proprietor and one person company (OPC). The reason for the confusion is the single owner of both types of entities. Both sole proprietor and OPC have an only single owner but the difference lies in the legal structure of these entities. A sole proprietorship is the oldest form of business in India whereas OPC is totally a new concept which is the invention of the Companies Act, 2013. In other words, we can say OPC is the modern form of sole proprietorship model.

Type of Company Basis	Proprietorship	One Person Company
Registration	Not Compulsory	Can be registered under MCA (Ministry of corporate affairs) and Companies Act 2013
Legal status of entity	Not considered as a separate legal entity	Separate legal entity
Members liability	Unlimited liability	Limited to the extent of share capital
Minimum number of member	Sole Proprietorship	Minimum number of 1 person
Maximum number of members	Maximum 1 person	Maximum 2 person
Foreign ownership	Not allowed	Allowed if one is the director and other is the nominee. Both the director and the nominee cannot be foreign citizens
Transferability	Not allowed	Allowed to 1 person only
Survival	comes to end on death or retirement of the member	Existence is independent on directors or nominee
Taxation	Taxed as an individual	Tax rate is 30% on profits plus cess and surcharge
Annual filings	Income tax returns with the registrar of the company	Filed with the registrar of the company

6. ADVANTAGES

A One Person Company (OPC) Private Limited has many advantages as compared to Companies and Proprietorship firm.

6.1 Compliance burden

The One person Company includes in the definition of “Private Limited Company” given under section 2(68) of the Companies Act, 2013. Thus, an OPC will be required to comply with provisions applicable to private companies. However, OPCs have been provided with a number of exemptions and therefore have lesser compliance related burden.

6.2 Organized Sector of Proprietorship Company

OPC will bring the unorganized sector of proprietorship into the organized version of a private limited company. Various small and medium enterprises, doing business as sole proprietors, might enter into the corporate domain. The organized version of OPC will open the avenues for more favorable banking facilities. Proprietors always have unlimited liability. If such a proprietor does business through an OPC, then liability of the member is limited.

6.3 Limited Liability Protection to Directors and Shareholder

The most significant reason for shareholders to incorporate the ‘single-person company’ is certainly the desire for the limited liability.

All unfortunate events in business are not always under an entrepreneur’s control; hence it is important to secure the personal assets of the owner, if the business lands up in crises.

While doing business as a proprietorship firm, the personal assets of the proprietor can be at risk in the event of failure, but this is not the case for a One Person Private Limited Company, as the shareholder liability is limited to his shareholding. This means any loss or debts which is purely of business nature will not impact, personal savings or wealth of an entrepreneur. If the business is unable to pay its liabilities, the individual has to pay such liabilities off in the case of sole proprietorship; and the individual is not responsible for such liabilities in the case of a one person company.

An OPC gives the advantage of limited liability to entrepreneurs whereby the liability of the member will be limited to the unpaid subscription money. This benefit is not available in case of a sole proprietorship. "Thus OPC allows an individual to take risks without risking his/her personal assets".

6.4 Minimum Requirements

- Minimum 1 Shareholder
- Minimum 1 Director
- The director and shareholder can be same person
- Minimum 1 Nominee
- Minimum Share Capital shall be Rs. 1 Lac (INR One Lac)
- Letters 'OPC' to be suffixed with the name of OPCs to distinguish it from other companies

6.5 Legal Status and Social Recognition for Your Business

One Person Company is a Private Limited Structure; this is the most popular business structure in the world. Gives suppliers and customers a sense of confidence in business. Large organizations prefer to deal with private limited companies instead of proprietorship firms. Pvt. Ltd. business structure enjoys corporate status in society which helps the entrepreneur to attract quality workforce and helps to retain them by giving corporate designations, like directorship. These designations cannot be used by proprietorship firms.

6.6 Adequate safeguards

In case of death/disability of the sole person should be provided through appointment of another individual as nominee director. On the demise of the original director, the nominee director will manage the affairs of the company till the date of transmission of shares to legal heirs of the demised member.

6.7 Easy to Get Loan from Banks

Banking and financial institutions prefer to lend money to the company rather than proprietary firms. In most of the situations Banks insist the entrepreneurs to convert their firm into a Private Limited company before sanctioning funds. So it is better to register your startup as a One Person private limited rather than proprietary firm.

6.8 Complete Control of the Company with the Single Owner

This leads to fast decision making and execution. Yet he/she can appoint as many as 15 directors in the OPC for administrative functions, without giving any share to them.

6.9 Easy To Manage

- No requirement to hold annual or Extra Ordinary General Meetings: Only the resolution shall be communicated by the member of the company and entered in the minute's book and signed and dated by the member and such date shall be deemed to be the date of meeting.
- Board Meeting: A One Person Company may conduct at least one meeting of the Board of Directors in each half of a calendar year and the gap between the two meetings shall not be less than ninety days.
- Quorum: The provisions of Section 174 (Quorum for meetings of Board) will not apply to One Person Company in which there is only one director on its Board of Directors.
- Minutes: Where the company is having only one director, all the businesses to be at the transacted meeting of the Board shall be entered into minute's book maintained under section 118. No need to hold Board Meeting in this case.

6.10 Filling with ROC

- Very few ROC filing is to be filed with the Registrar of Companies (ROC).
- Mandatory rotation of auditor after expiry of maximum term is not applicable.
- The provisions of Section 98 and Sections 100 to 111 (both inclusive), relating to holding of general meetings, shall not apply to a One Person Company.

6.11 Perpetual Succession

An OPC being an incorporated entity will also have the feature of perpetual succession and will make it easier for entrepreneurs to raise capital for business. The OPC is an artificial entity distinct from its owner. Creditors should therefore be warned that their claims against the business cannot be pressed against the owner.

6.12 Tax Flexibility and Savings

In an OPC, it is possible for a company to make a valid contract with its shareholder or directors. This means as a director you can receive remuneration, as a lesser you can receive rent, as a creditor you can lend money to your own company and earn interest. Directors' remuneration, rent and interest are a deductible expense which reduce the profitability of the Company and ultimately brings down taxable income of your business.

6.13 Middlemen Eliminated

One Person Companies enable small entrepreneurs to set up a company by allowing the shareholders to directly access the target market and avail credit facilities, bank loan rather than being forced to share their profits with middlemen. Thus, such companies will provide an opportunity to various small entrepreneurs like weavers, artisans etc. to start their own ventures with a formal business structure.

7. DISADVANTAGES

7.1 Members

- One person Company can have Minimum or Maximum no. of 1 Member.
- A minor shall not be eligible to become a member or nominee of the One Person Company or can hold share with beneficial interest.
- Only a natural person who is an Indian citizen and resident in India shall be eligible to incorporate a One Person Company and shall be a nominee for the sole member of a One Person Company.

7.2 Suitable only for small business

OPC is suitable only for small business. OPC can have maximum Paid up share capital of Rs.50Lakhs or Turnover of Rs.2 Crores. Otherwise OPC need to be converted into Private Ltd Company.

7.3 Business Activities

- One Person Company cannot carry out Non – Banking Financial Investment activities including investment in securities of anybody corporate.
- One Person Company cannot be incorporated or converted into a company under Section 8 of the Act.

7.4 Tax Liability

The concept of One Person Company is not a recognized concept under IT Act and hence such companies will be put in the same tax slab as other private companies for taxation purposes. As per the Income Tax Act, 1961, private companies have been placed under the tax bracket of 30% on total income. On the other hand, sole proprietors are taxed at the rates applicable to individuals, which mean that different tax rates are applicable for different income slabs. Thus, from taxation point of view this concept seems to be a less lucrative concept as it imposes heavy financial burden as compared to a sole proprietorship.

7.5 Members

The basic income tax rate for a one person company is 30% which may result in a higher tax as compared to the income tax slab rates of an individual (i.e. 10% to 30%). (Proprietorships have a clear advantage here in that a proprietor is subject to individual income tax slab rates from 10% to 30% and get benefits of basic exemptions. Hence, if you select a one person company over a proprietorship you will have to give up these advantages.)

7.6 Perpetual Succession

This is Very concept of a separate legal entity being created for a perpetual succession that is continuation of the company even after the death or retirement of a member is also challenged. Because the nominee whose name has been mentioned in the memorandum of association will become the member of the company in the event of death of the existing member. However it is doubtful that it would do any good for the company because the person is not being a member of the company and also not involved in the day to day operation of the company, would not be able to succeed the business after the death of the member.

7.7 Higher incorporation costs

As compared to proprietorships: One person companies need to be registered with the registrar of companies under the Companies Act, 2013. This would entail upfront expenditure on government charges and professional fees which you will have to pay your CA or CS. Proprietorships don't need to register with the government and hence don't incur these incorporation charges.

Though the Act extends slew of exemptions to a One Person company in terms of conducting AGM, EGM, Quorum of meetings, restriction on voting rights or filing its financial statements, yet the incorporation of such a company requires lots of paper work as compared to a sole proprietorship. These procedural complexities with respect to incorporation of One Person Company might make this concept less attractive for sole entrepreneurs

7.8 Higher compliance costs

Compared to proprietorships: A one person company would have recurring compliance costs yearly, as it will need to get its accounts audited and will need to file returns every year with the registrar of companies like any other company.

7.9 Separation of Owner and Control

This is one of the characteristics of the company, which is seriously challenged by the new Companies Act, 2013, where the line between the ownership and control is blurred.
Which might result in unethical business practices?

7.10 Other Disadvantages

- A person shall not be eligible to incorporate more than a One Person Company or become nominee in more than one such company.
- NRIs not allowed incorporating One Person Company.
- Requirement to appoint a nominee for incorporating a One Person Company

8. CONCLUSION

The concept of One Person Company is advantageous both for the regulators and the market players. From regulators perspective, One Person Companies by organizing the unorganized sector of proprietorship will make the regulation of these entities convenient and effective.

Further, the conferment of the status of private limited company on a One Person company will not only limit the liability of sole entrepreneurs but also provide access to market players to various credit and loan facilities and hence would encourage entrepreneurship. However, this concept has been criticized on grounds of excessive procedural formalities and tax burden. Further, this concept is also being regarded as unnecessary as India already has a Limited Liability Partnership Act, 2008, which limits the liabilities of the members of a partnership.
Eventually any decision on which legal business structure to select will depend on a case by case basis and individual needs and requirements of a specific business. But, you should be aware of the above disadvantages of a one person company before either starting a new proprietorship or deciding to convert your existing proprietorship into a one person company in India.

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