**What is One Person Company?**

**One Person Company is a single director company introduced for aspiring entrepreneurs. As the name suggests ‘One Person Company means a company which has only one member' as defined in the Companies Act 2013.**

**What is One Person Company?**

According to **sub-section 62** of **section 2** of the Companies Act, 2013 One Person Company is introduced to promote business enterprises owned and managed by a single entrepreneur. According to **section 3** it is defined as a private company with only a single director with Indian nationality. It helps those individuals who are looking for an opportunity to expand their business and help the unorganised sector of our country to be organised legally. There is no need for a mandatory minimum of two directors, as is the case in [Private Limited Company](https://www.quickcompany.in/articles/private-limited-company-definition-advantages-and-incorporation-process) incorporation.

**What are the features of One Person Company?**

The salient [feature of One Person Company](https://www.quickcompany.in/articles/personified-features-of-one-person-company) is that it needs only one founding member who is the sole [shareholder](https://www.quickcompany.in/articles/shareholder-rights-under-companies-act-2013) and director of the company yet there are few regulations as

* The founding member should be an Indian born and should have stayed in India for more than one hundred and eighty-two days in the preceding calendar year.
* It is mandatory for him to appoint a nominee on his behalf who can take over his company after he is incapacitated.
* The company shall have a minimum [paid up capital](https://www.quickcompany.in/articles/authorized-capital-vs-paid-up-capital) of INR 1 Lac and an average annual turnover of less than INR 2 crores.
* The words **OPC** must be mentioned in the brackets below the name of the company
* No minor can be appointed as a nominee or member of OPC as it cannot be incorporated as a company under section 8.
* OPC cannot convert itself into a private or public company unless it completes two years of its existence.

**Famous One Person Company in India**

One person company has been preferred over another form of investment incorporations by a lot of budding freelancers and entrepreneurs primarily because of minimal [legal compliances](https://www.quickcompany.in/articles/opc-compliances) and maximum [taxation benefits](https://www.quickcompany.in/articles/opc-vs-partnership) a few examples being

* BHAIRAV BUILDERS PRIVATE LIMITED (OPC) is a Private (One Person Company)  in Delhi and been in existence for more than 20 years. it deals in buying, selling, renting and operating of self-owned or leased real estate
* [DIGITEX FABRICS OPC PRIVATE LIMITED](https://www.quickcompany.in/company/digitex-fabrics-opc-private-limited) is a Private (One Person Company) incorporated on 05 May 2015. It is involved in Spinning, weaving and finishing of textiles.

**What are the advantages of One Person Company?**

One Person Company is a concept introduced to encourage entrepreneurs who have the capital to invest in their own company and become the only director without sharing their funding with others. It is aimed at the country’s economic development and economic growth under the [MAKE IN INDIA](https://www.quickcompany.in/articles/is-make-in-india-working) scheme. It has various advantages

1. **Single ownership:** the first and the foremost advantage is that it is managed by a single owner which means that there are no kind of disputes amongst the members and is a long-lasting contract which does not cease after the death of its member.
2. **Nominee:** in OPC the director is bound to appoint a nominee on his behalf who would be responsible for taking over his company after his death.
3. **Easy formation:** in comparison to other private companies the formation of OPC is comparatively easy as there are lesser documentation and lesser form formalities.
4. **Limited liability:** In OPC the [shareholder liability](https://www.quickcompany.in/articles/liability-of-shareholders-in-opc) is limited to his shareholding which means any loss or debt in business does not affect the personal pocket of the owner hence no personal liability against the company which accounts for greater credibility.
5. **Tax credibility:** OPC can make a valid contract with its shareholder or directors and can receive remuneration but it is put in the same bracket of taxation as other private companies which is flat 30%
6. **Annual meetings:** There is no compulsion for OPC to hold [meetings](https://www.quickcompany.in/articles/annual-general-meeting) every two months. They just have to meet twice in every financial year.

**Eligibility criteria of One Person Company**

* According to the rules, only "Naturally-Born" Indian who is also a [resident of India](https://en.wikipedia.org/wiki/Non-resident_Indian_and_person_of_Indian_origin) is eligible to incorporate an OPC.

**NOTE:** the resident of India has stayed in India for a period of not less than 182 days during the immediately preceding one calendar year

* The OPC shall have a minimum paid up capital of INR 1 Lac
* There is only one member and one nominee of the OPC. The person cannot acquire more than 1 OPC and cannot become the nominee to more than one OPC.
* A unique name is required for your company which should not be similar to other existing company and should end with (OPC) PVT. LTD.

**NOTE:** a person after becoming the founder can appoint a maximum of **15 other directors** under him

**Is One Person Company same as Sole Proprietorship?**

One Person Company is a separate legal entity with a single member whereas [sole proprietorship](https://www.quickcompany.in/articles/sole-proprietorship-in-india) is not a Separate Legal Entity.

One person company needs to be registered while no such registration is required for a sole proprietorship. The finances and loan repayments depend on the owner in sole proprietorship and not on the company thus making it an unlimited liability whereas any loss in business is limited to only the business assets in OPC making it a limited liability.

**How is One Person Company different from other Private Limited Companies?**

Apart from having [similarities](https://www.quickcompany.in/articles/opc-vs-private-limited-company) with private companies there are some factors which make OPC a completely different entity.

1. **Membership:** OPC is formed by one single member and a private company has a minimum of 2 directors. The director of OPC is bound to appoint a nominee while a private company can have multiple directors and shareholders.
2. **Capital:** OPC paid-up capital cannot exceed more than 50 lacks and their annual turnover needs to be within two crore bracket. No such requirement is stated for a private company.
3. **Shares transferability:** in OPC shares can be transferred only after making changes in [MOA](https://www.quickcompany.in/articles/how-to-draft-moa-for-a-company) while in a private company shares can be transferred easily.

**NOTE:** MOA is standard legal documents prepared by **Company Secretaries** during registration of the Company.

1. **Board meetings:** OPC are exempted for holding [board meetings](https://www.quickcompany.in/articles/board-meeting) like private companies. Their [annual general meeting](https://www.quickcompany.in/articles/annual-general-meeting) needs to be held in each half of a calendar year while in private company board meetings need to be held every quarter of every calendar year with a maximum gap of120 days.
2. **Existence:** OPC Business continues even after the death of the owner, where the business is automatically transferred to the nominee.

**There are both advantages and disadvantages accompanied to every organization.**

Here are a few ***disadvantages of OPC*** over other private incorporations.

1. **Tax liability:** Income tax rates applicable to private limited companies apply on One Person Company too. In proprietary, you are required to pay according to your salary. But in the case of OPC, you are directly charged 30% income tax.
2. **Single ownership:** as OPC stands for one person ownership the company’s success and growth are all dependent on one person’s decision-making ability.
3. **Suitable for small businesses:** A One Person Company (OPC) cannot raise funding by selling its shares OPC can have a maximum paid up share capital of Rupees Fifty Lakhs or turnover of Rupees two crores Otherwise need to be converted into private limited.
4. **FDI:**One Person Company does not allow any foreign investor hence no foreign development investment is accepted in case of OPC.
5. **Compliance Prices**: As the company is registered with the registrar of the companies it is required to pay fees to the CA or CS and other government charges. As it fills the audit and other compliances the yearly cost also increases.

**What is the registration cost for registering One Person Company?**

The registration cost to register for one person company including professional fees is approx INR 8,999/-.

|  |  |  |
| --- | --- | --- |
| **S. No.** | **OPC cost breakdown** | **charges** |
| 1 | govt. fees | **2300/-** |
| 2 | stamp duty with document notarization | **2010/-** |
| 3 | PAN, TAN and GST | **859/-** |
| 4 | Professional fees | **3830/-** |
|  | **Total cost** | **8,999/-** |

**What documents are required for registration of One Person Company?**

* Pan card
* Passport size photograph
* Driving licence/voter card/passport
* Adhaar card
* Last two months bank statement
* Company’s rent agreement
* NOC from the owner of the property
* Utility process

**What Are The Steps Required To Register For OPC?**

**Step - 1 : Digital Signature**

 The first step is to avail the digital signature of the proposed director along with the documents mentioned above.

**Step - 2 : Digital Identification NO.**: after we receive the signature we head to acquire digital identification no. Of the proposed director in SPICEe form.

**Step - 3 : Name approval application:** after the verification of documents we propose a name for the company and apply for the same from the MCA. The name should be clear to indicate what the Company is all about. The only condition is that no company can register without having (OPC) Private Limited or limited at the end. For example Ashiana Buildtech Pvt. Ltd. (OPC).

**Step - 4 : Documents to ROC**: after the approval of the name we file for documents to submit to ROC

* MOA ( [memorandum of association](https://www.quickcompany.in/articles/how-to-draft-moa-for-a-company))
* AOA (article of association)
* Nominee's consent form, PAN card and ADHAAR card

**Step - 5: Office proof**: next we will require registered office proof Lease deed / Conveyance / Rent agreement along with rent receipts and proof of ownership along with NOC. Affidavit and consent of the proposed director with form INC-9 and DIR-2rsp.

**Step - 6: MCA approval forms**: along with other documents SPICe Form, SPICe-MOA and SPICe-AOA and DSC of the Director and the professional will be uploaded to the MCA site for approval. , Form 49A and 49B will be generated for the PAN and TAN generation of the Company which has to be uploaded to MCA after affixing the DSC of the proposed Director.

After submitting and getting all the documents verified we will receive Certificate of Incorporation from ROC and then we can commence our business.

**How Can We Convert One Person Company to Private Company?**

For converting OPC  private company there are two methods one involves voluntary conversion while other is mandatory conversion.

* OPC can convert itself to a private company only after completing two years of its existence.
* If the annual turnover exceeds more than two cores or Its paid-up share capital has increased beyond 50 lacks.

**Conclusion**

OPCs are doing very well in the United States, U.K, Australia etc. The one person company concept is a relief to many entrepreneurs as it helps small businesses to evolve. Thus we conclude that one person company was introduced to help the country’s growth by giving opportunities to generate employment and also help in economic development.