GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UN-STARRED QUESTION NO. 2905
ANSWERED ON TUESDAY, MARCH 29, 2022
PROMOTION OF NEW COMPANIES

QUESTION

2905 # Shri Neeraj Dangi:

Will the Minister of Corporate Affairs be pleased to state:

(a) the details of the number of registered companies that have gone out of business during the last three years;
(b) if so, the reasons therefor; and
(c) the efforts being made by Government to promote new companies in the country?

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING: AND MINISTER OF STATE IN THE MINISTRY OF CORPRATE AFFAIRS.

(RAO INDERAJIT SINGH)

(a) & (b): Pursuant to the provisions of section 248 (1) of the Act where the Registrar has reasonable cause to believe that companies that are not carrying on any business or operation for a period of two immediately preceding financial years and has not made any application within such period for obtaining the status of a dormant company under section 455, shall after following the due process of law, struck off those companies from the Register of Companies.

Period	Companies Struck off u/s 248(1) and 248(2) of the Act	Companies Liquidated/Dissolved
During the Last 3 years (2018-19 to 2020-21)	2,13,359	586

(c): (i) A new Web Form christened SPICe+ along with a linked form called AGILE PRO-S has been deployed which provides eleven starting a business related services through a single integrated web form, namely (a) Name Reservation, (b) Incorporation, (c) PAN, (d) TAN, (e) DIN, (f) EPFO Registration, (g) ESIC Registration, (h) GST number, (i) Bank Account Number, (j) Profession Tax Registration [Mumbai, Karnataka and West Bengal (Kolkata)], (k) Delhi Shops and Establishment Registration, by three Central Government Ministries i.e. Ministry of Corporate Affairs, Ministry of Labour and Department of Revenue in the Ministry of Finance, three State Governments (Maharashtra, Karnataka and West Bengal), Government of NCT of Delhi and various Banks.

(ii) Zero fee is being charged for incorporation of all companies with authorized capital up to Rs. 15 lakh or with up to 20 members where no share capital is applicable.

(iii) Central Registration Centre (CRC) has been set up to centralize the process for name reservation and incorporation of companies & Limited Liability Partnership (LLP) within 1 day as opposed to an average of at least 15-20 days earlier.

(iv) Further, in line with Company Incorporation process, the LLP Incorporation Form called FiLLiP has also been integrated with CBDT to provide PAN/TAN at the time of Incorporation of LLP itself. The Certificate of Incorporation for LLP now includes PAN and TAN that has been allotted by CBDT.

(v) The Ministry is also in the process to migrate to a newer Portal Called MCA21 Version 3.0. The newer version will leverage technology to reduce compliance burden. Few of the changes that will improve compliance burden are as follows:-

- Requirements of attachment eliminated wherever possible
- All forms in V3 will be web based allowing for dynamic field validation and faster prefills

(vi) In addition to above, this Ministry has also taken a number of steps to provide ease of doing business and ease of living by reducing various compliance burden to law abiding corporates in the country which are as under:-

(a) Decriminalization of sections under Companies Act:- Decriminalization of 46 penal provisions under Companies Act, 2013 was carried out through the Companies (Amendment) Act, 2020 thereby taking the total number of provisions decriminalized to 62 (including the 16 decriminalized in 2018). In addition to decriminalization of penal provisions for minor procedural and technical defaults which do not involve any element of fraud, deceit or injury to public interest, the exercise involved the rationalization of quantum of monetary penalties as well and is expected to greatly improve the Ease of Doing Business climate in the country and lead to de-clogging of criminal courts and the NCLT from the burden of cases of routine nature.

Such decriminalization would remove the fear of criminal prosecutions for non–substantive minor and procedural omissions and commissions in the normal course of business and incentivize micro and small, medium business enterprises to convert into body corporates such as companies and would significantly enhance the confidence of Indian Corporates on the Government's resolve to provide greater ease and accord highest respect to honest wealth creators in the country and reduce the burden on the justice system.

(b) Section 446 B of the Act: - Lesser Penalties for Small Companies, OPC, Start-ups, Producer Companies etc.:- Through Companies (Amendment) Act, 2020, lesser penalties for Small Companies/ One Person Companies / Start- ups/ Producer Companies or by any of its officer in default, or any other person in respect of such company has been provided for the non-compliance of any of the provisions of the Companies Act, 2013 which are to be dealt with under In-house Adjudication Mechanism (IAM). It shall lessen the cost of running businesses.

(c) Simpler process for renewal of reserved names:- This Ministry vide notification no. GSR (E) 795 dated 24.12.2020 through the Companies (Incorporation) Third Amendment Rules, 2020 has provided for extension of reservation of name in certain cases through a simple web service available at www.mca.gov.in. Rules amended to provide a framework for Renewal of Company Names beyond 20 days period.

(d) One Person Companies:- Provisions with regard to incorporation and functioning of one-person companies (OPCs) revised significantly so as to incentivize incorporation of more OPCs. Now NRIs are also allowed to incorporate OPCs. Earlier only Indian resident citizens were permitted. Such companies are now allowed to convert into private or public companies at any point of time. The restrictions with regard to maximum amount of paid-up Capital and turnover for OPCs has also been removed so that there is no undue restriction on the growth of OPCs.

(e) Small Companies:- The thresholds in respect of "small companies" have been revised so that at least 2 lakh more companies get classified as "small companies" and take advantage of a lighter compliance framework provided under the Companies Act, 2013 and rules made thereunder. (The

limits in respect of paid-up share capital enhanced from Rs.50 lakh to Rs.2 crore and in respect of turnover enhanced from Rs.2 crore to Rs.20 crores).

(f) Revision of definition of listed companies:- Certain class of companies has been excluded from the definition of listed company under the Companies Act, 2013 vide notification no. GSR (E) 123 dated 19.02.2021. Henceforth, Private Companies which opt to list debt securities on stock exchanges are not required to fulfil compliances as required from listed Companies and accordingly compliance burden has been reduced for such companies.

(g) Extended the fast track process for mergers under the Companies Act, 2013 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.

(h) Rules amended to ease the compliance burden on Independent Directors.

(i) Rules amended to make it sufficient for companies to pass only one previous special resolution in order to make an offer or invitation of any securities to qualified institutional buyers on private placement basis during the year to make it easier for companies to raise capital.

(j) Rules amended to enable purchase of minority shareholding held in demat form.

(k) Reduction of time limit up to which Rights Issues are required to be kept open.

(l) New abridged & concise version of Annual Return introduced for Small companies and One Person Companies (OPCs)

(m) Easier Process for conversion of a public company into a private company.

(n) Revision of definition of SMCs under the Companies (Accounting Standards) Rules, 2021:- The Companies (Accounting Standards) Rules, 2021 has been notified on 23.06.2021 to mirror the Companies (Accounting Standards) Rules, 2006 (notified under the Companies Act, 1956) to bring the same under the Companies Act, 2013. The said rule also amended the definition of Small and Medium Size companies for applicability of Accounting Standards under which the turnover limit has been increased from rupees fifty crores to not exceeding rupees two hundred and fifty crores and borrowings limit enhanced from rupees ten crores to rupees fifty crores (Notification No. G.S.R. 432 (E), 23.06.2021). The aim of such amendment is to reduce the compliance burden and the time required to prepare the financial statements. The limits were not amended from many years and considering the overall growth in the economy it was imperative that the limits need to be increased. As a result of this notification, a significant number of companies would be covered in the definition of the SMC companies and will enjoy the exemptions and relaxations from complying with detailed disclosures required under the various Accounting Standards such as AS-3 Cash Flow Statement, AS-17 Segment Reporting, AS-15 Employee benefits etc.

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