GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 372
TO BE ANSWERED ON TUESDAY, 3rd FEBRUARY 2026

Measures to curb shell companies and corporate fraud

372 **Dr. Fauzia Khan**:

Will the Minister of **Corporate Affairs** be pleased to state:

(a) whether the Ministry has identified enforcement and regulatory gaps in tackling shell companies linked to financial fraud and money laundering, and the impact of recent AI-driven surveillance through MCA21 V3;

(b) if so, the details thereof and if not, the reasons therefor;

(c) the details of steps taken to enhance real-time digital monitoring and integration of audit data to prevent shell company misuse; and

(d) the details of measures taken or proposed to simplify compliance for MSMEs while strengthening safeguards against shell companies, especially with regard to digital reporting and transparency?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS; MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS:

(SHRI HARSH MALHOTRA)

(a) & (b): The term Shell Company has not been defined under the Companies Act, 2013. However, this Ministry uses Red Flag Indicators including features such as nil /insignificant business, nil/ insignificant assets, company not maintaining registered office, suspected beneficial owner, etc. for regulatory actions. Further, to address and identify ultimate beneficiaries, the Significant Beneficial Owner (SBO) Rules, 2018 mandates the disclosure of Significant Beneficial Owner (SBO) of the corporate structure.

(c) Under the MCA-21, a risk profiling rule based analytical system for compliances has been developed. Further, through MCA21 V3 various functionalities like Web filings, LLP Module, Company module, have been implemented. Filings are now being made through this system, which provides for real time validation with pre-filled master data, thereby reducing possibility of falsification of data.

(d): The measures undertaken to facilitate Ease of Doing Business (EoDB) for companies including Micro, Small, and Medium Enterprises (MSMEs) and incentivize compliance, are at Annexure.

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Annexure

In reply to Part (d) of Rajya Sabha Unstarred Question No. 372

i Decriminalization of 63 offences under the Companies and LLP Acts. While providing relief to corporates, one of the objectives of decriminalization has also been reduction of litigation burden in judicial courts and shifting the prosecution cases towards adjudication, further lower the compliance burden, Section 446B of the Companies Act, 2013, provides for significantly lesser penalties for small companies.

ii Conversion of more than 54 forms to Straight Through Process (STP) which earlier required approval of field offices.

iii Introducing e-Form SPICe+ along with a linked form called AGILE PRO-S for providing different services at one place such as Name Reservation, Incorporation, Allotment of PAN, TAN, DIN, EPFO Registration, ESIC Registration, GST number, opening of Bank Account etc. at the time of incorporation of company to start the business immediately. Similarly, new e-Form FiLLiP (Form for incorporation of Limited Liability Partnership) was introduced for providing the same services in a single application.

iv With effect from 1st December 2025, the thresholds for small company have been enhanced. The paid-capital criteria has been increased from up to Rs. 4 crores to up to Rs. 10 crores and turnover criteria has been increased from up to Rs. 40 crores to up to Rs. 100 crores. This brings more number of companies under the definition of small company, which are subject to lesser compliance requirements in comparison to larger companies.

v Setting up of a Centralized Registrar of Companies (CRC) for incorporation to provide uniformity in the incorporation process.

vi Setting up of a Central Scrutiny Centre (CSC) for centralised scrutiny of e-Forms filed under STP.

vii Setting up a Central Processing Centre (CPC) for centralised processing of specified non-STP e-forms.

viii Setting up an e-Adjudication Portal for adjudication of offences related to the Companies Act.

ix Zero fee for incorporation of company with authorized capital up to Rs.15.00 Lakh.

x The Government has introduced MSME Form I for reporting outstanding payments beyond 45 days to Micro and Small enterprises by companies, promoting prompt payment to MSMEs, and ensuring transparency in transactions involving small vendors and suppliers.

xi New registration of MSMEs through Udyam Registration, Launch of Udyam Assist Platform to bring the Informal Micro Enterprises under the formal ambit for availing the benefit under Priority Sector Lending by Ministry of Micro, Small & Medium Enterprises.

xii TReDS (Trade Receivables Discounting System) Platform RBI-regulated digital platform designed specifically for MSMEs (Micro, Small, and Medium Enterprises).

xiii Further, small companies and start-ups are provided with certain common compliance relaxations under the Companies Act, 2013 with the objective of reducing regulatory burden and facilitating ease of doing business. For both categories, the requirement of including a cash flow statement as part of the financial statements has been made optional. Further, in cases where a company does not have a company secretary, the annual return may be signed by a director of the company. In addition, flexibility has been granted with respect to meetings of the Board of Directors, whereby both small companies and start-ups are permitted to hold two board meetings in a calendar year, i.e., one meeting in each half of the year, instead of the general requirement of holding four board meetings annually, subject to the prescribed minimum gap between such meetings.

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