

# 50 Legal FAQs on Incorporation of Business in India

## Basic Questions

### 1. What are the different types of business entities that can be incorporated in India?

India allows incorporation of various types of business entities, including:

- **Private Limited Company (Pvt Ltd)**
- **Public Limited Company (Ltd)**
- **One Person Company (OPC)**
- **Limited Liability Partnership (LLP)**
- **Partnership Firm (Registered/Unregistered)**
- **Sole Proprietorship**

### 2. What is the minimum number of directors required for incorporating a company in India?

- **Private Limited Company:** Minimum **2** directors
- **Public Limited Company:** Minimum **3** directors
- **One Person Company:** Minimum **1** director

### 3. What is the minimum number of shareholders required for incorporating a private limited company?

A Private Limited Company requires **at least 2 shareholders**, while a One Person Company (OPC) requires only **1 shareholder**.

### 4. Can a single person incorporate a company in India?

Yes, a single person can incorporate a **One Person Company (OPC)**. However, they must nominate another person as a nominee shareholder.

### 5. What is the difference between a private limited company and a public limited company?

- **Private Limited Company:** Minimum **2** and maximum **200** shareholders. Shares are not publicly traded.
- **Public Limited Company:** Minimum **7** shareholders, no maximum limit. Shares can be listed on stock exchanges.

### 6. Can a foreign national or foreign entity incorporate a company in India?

Yes, a foreign national or foreign company can incorporate a company in India, subject to **Foreign Direct Investment (FDI) regulations** and approval from the **Reserve Bank of India (RBI)** in some sectors.

### 7. What is the governing law for company incorporation in India?

The **Companies Act, 2013**, along with rules notified by the Ministry of Corporate Affairs (MCA), governs company incorporation in India.

### 8. What is the difference between an LLP and a private limited company?

- LLP has **less compliance** and **limited liability** like a company but functions more like a partnership.
- A Private Limited Company has **shareholders and directors**, while an LLP has **partners**.

### 9. Can an LLP be converted into a private limited company?

Yes, an LLP can be converted into a private limited company by following the provisions of the Companies Act, 2013.

### 10. What are the compliance requirements after incorporation?

Key compliance requirements include:

- Appointing an **auditor**
- Filing **Annual Returns** with the MCA
- Holding **Board Meetings**
- Complying with **taxation** and **GST filings**

## Name Reservation & Approval related Questions

### 11. How can I check the availability of a company name?

You can check name availability on the **MCA portal** and through the **RUN (Reserve Unique Name) service**.

### 12. How can I reserve a name for my company?

Name reservation can be done through the **SPICe+ (Simplified Proforma for Incorporating Company Electronically Plus) form** on the MCA portal.

### 13. How many names can be proposed while applying for name approval?

Two names can be proposed at a time through the RUN service.

### 14. What are the common reasons for name rejection by the MCA?

- Similarity with an existing company or trademark
- Use of restricted words
- Not meeting naming guidelines

**15. How long is a reserved name valid after approval?**

The reserved name is valid for **20 days** (extendable in some cases).

## **Capital & Shareholding related Questions**

**19. What is the minimum capital requirement for incorporating a private limited company?**

There is **no minimum capital** requirement. However, the authorized capital should be declared in the incorporation documents.

**20. Can a private limited company be incorporated with zero paid-up capital?**

Yes, a company can be incorporated with **zero paid-up capital**, but it must issue shares and have a capital structure.

## **Directors & Management related Questions**

**27. What is the minimum number of directors required in a private limited company?**

A private limited company must have at least **2 directors**.

**28. What are the eligibility criteria to become a director in an Indian company?**

A director must:

- Be at least **18 years old**
- Have a **Director Identification Number (DIN)**
- Not be disqualified under the Companies Act, 2013

## **Incorporation Process & Documentation related Questions**

**35. How long does it take to incorporate a company in India?**

On average, incorporation takes **7-10 days**, depending on approvals and documentation.

**36. What are the key documents required for company incorporation?**

- Identity proof and address proof of directors/shareholders
- PAN card (for Indian nationals)
- Digital Signature Certificate (DSC)
- Proof of registered office

## Post-Incorporation Compliance related Questions

43. What are the post-incorporation compliances for a private limited company?

- Obtaining **PAN & TAN**
- Opening a **bank account**
- Registering for **GST (if applicable)**
- Filing **annual returns** with MCA

44. Is it mandatory to appoint an auditor after incorporation?

Yes, a company must appoint an auditor within **30 days of incorporation**.

45. What are the tax registrations required after incorporation?

- **GST registration** (if turnover exceeds the threshold)
- **Professional Tax registration** (in some states)
- **Shops and Establishment Act registration** (if applicable)

46. Is a private limited company required to conduct board meetings?

Yes, a private company must hold **at least 4 board meetings per year**.

47. Can I close my company after incorporation if I no longer need it?

Yes, a company can apply for **strike-off** under Section 248 of the Companies Act, 2013, or go through **voluntary liquidation**.

48. What are the annual compliance requirements for a private limited company?

- Filing **MGT-7 (Annual Return)**
- Filing **AOC-4 (Financial Statements)**
- Conducting **Annual General Meetings (AGMs)**

49. What are the penalties for non-compliance with company law provisions?

Non-compliance can lead to penalties ranging from **Rs. 50,000 to Rs. 5,00,000** and even **director disqualification** in severe cases.

50. How can I check my company's incorporation status online?

You can check your company's incorporation status on the **MCA website** using the company's **Corporate Identification Number (CIN)**.

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