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LEGAL FRAMEWORK OF ONE PERSON COMPANIES: A COMPARATIVE STUDY BETWEEN UK, US, AND SINGAPORE

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ABSTRACT

One Person Companies (OPCs) are a new development in corporate law, allowing one business owner to have business and legal protections. The legal structures overseeing OPCs in the United Kingdom, the United States and Singapore are discussed in this paper. The report provides an examination of how businesses are formed, governed, face liability, apply tax laws and comply with regulations. It points out the common practices and legal situations in every area and studies the effects of those laws on the development of OPCs. By studying approaches from various legal systems, this study hopes to show how encouraging entrepreneurship can be done without forgetting corporate responsibility.

Keywords: One Person Company, OPC, corporate law, UK company law, US LLC, Singapore company law, business incorporation, regulatory compliance, limited liability.

1. Introduction

The rise of One Person Companies (OPCs) means that business entities are evolving in a major way. Before, company law stated that two people were needed for a company, but as more people started to run businesses alone, rules were changed to let solo entrepreneurs have companies, too. Using OPCs, entrepreneurs can benefit from corporate personality advantages, enjoy limited liability, never lose their business and have an easier time getting loans because they are still in full control.

Legal acknowledgement of OPCs represents a change in how companies are regulated, to account for more people involved in business, especially sole proprietors. The model gives entrepreneurs freedom and control in management, while infusing the company with accountability and rules.

Different nations have adopted the Organizational Product Constellation idea in unique ways. Private companies in the UK have been able to include just a single member since its Companies Act 2006¹⁸⁰ was passed. Each state in the United States uses a federal model to decide on corporate forms and with this flexibility, many solo business owners choose SMLLCs because they are both flexible and cost-effective. In 2004, Singapore changed the Companies Act to make OPCs official and thus make the processes of forming and running a business easier for single people.¹⁸¹

In this paper, the legal rules for OPCs in the UK, US and Singapore are compared. It is designed to look at OPCs' rules, operations and structure in each jurisdiction to find out how they balance entrepreneurship with following the law and financial discipline. By comparing multiple types of law, this branch highlights both similarities

¹⁸⁰ Companies Act, 2006 (UK).

¹⁸¹ Companies Act (Cap. 50), Singapore.

and differences in requirements, governance, how to comply and dissolution which helps learn how legal systems can respond to new challenges in business.

2. Conceptual Framework and Evolution of OPCs

The idea of One Person Companies (OPCs) is built on changing ideas about corporate personhood and the desire to fit traditional corporate structures to modern entrepreneurship. Historically, the idea behind setting up a company was that it was best done by several people, united under a business structure. Yet, with companies adjusting quickly to new digital and start-up trends, it has become necessary to formally accept single-owner corporate entities.

The next part of the research focuses on building the conceptual framework.

An OPC is a group that legally enables one person to set up a business and receive the protection of limited liability and a distinct identity. While a sole proprietorship blends the owner and the business, an OPC is a separate company. By separating the company from the owner's personal assets, the owner can more easily get money, secure assets and keep their business running as usual.

The basic characteristics of OPCs are:

1. The company is limited to one shareholder.
2. Because the company is incorporated, the sole shareholder's liability is not more than the funds invested.
3. A company is a separate group from its owner.
4. A company is not dissolved with the death or incapacitation of its owner, provided that the laws allow it.
5. OPCs are developed to encourage smaller businesses to follow the rules, promote new ideas, ease the route for micro-enterprises to comply and help make doing business easier.

The development of OPCs.

More people began to support the idea of single-member companies in the last years of the 20th century. After the European Union's Twelfth Company Law Directive (1989)¹⁸² which apply in the UK, being largely adopted by British legislation, single-member private companies were given legal recognition. As a result of this directive, each Member State now allows for single-member companies. As a result, one individual can now form a private limited company under the UK Companies Act 2006.

Single-Member Limited Liability Companies (SMLLCs) have become accepted in the United States as OPCs have evolved. It was in Wyoming in 1977 that the LLC gained attention for allowing flexibility in both taxes and how the business is run. In the early 2000s, every state and the District of Columbia adopted laws that made SMLLCs separate for liability, but often they were treated as "disregarded entities" for taxes.

Singapore recognized the need for business-friendly reforms and introduced the OPC model through an amendment to its Companies Act in 2004. The Singapore regime allowed a single individual to incorporate a private company limited by shares, with streamlined compliance requirements tailored to small business operations. This reform aligned with Singapore's broader strategy of promoting entrepreneurship and attracting global start-ups.¹⁸³

The progressive recognition and legalization of OPCs across these jurisdictions reflect an understanding of the changing business landscape, wherein individuals increasingly seek autonomy, flexibility, and legal safeguards in conducting business. The OPC framework embodies a modern approach to corporate structuring, especially suited for solo entrepreneurs, professionals, and freelancers operating in service-based or digital sectors.

¹⁸² Council Directive 89/667/EEC of 21 December 1989 on single-member private limited-liability companies, [1989] OJ L395/36.

¹⁸³ National Conference of State Legislatures, 'State LLC Statutes' (early 2000s adoption), <https://www.ncsl.org/research/labor-and-employment/state-llc-statutes.aspx>.

3. Legal Framework in India

By introducing One Person Companies (OPCs) in the Companies Act, 2013, India brought a big change to its corporate laws. They aimed to encourage new businesses by making registering and running a company simple and by ensuring limited liability, a separate identity for the company and lower requirements than other types of private limited companies. An OPC is a private company, as defined by Section 2(62) of the Companies Act which requires it to have only one shareholder. The model allows sole proprietors to act as corporations with the advantage of registered company benefits.¹⁸⁴

3.1 Who Can Start an LLC

The Companies (Incorporation) Rules, 2014 control how companies use One Person Companies. A resident of India and Indian citizen can set up an OPC. Still, the Companies (Amendment) Rules, 2021 updated this provision so that NRIs can also set up OPCs following the guidelines for Foreign Direct Investment (FDI). You can register your new company online on the SPICe+ portal which will handle the registrations for PAN, TAN, GSTIN and EPFO at the same time.¹⁸⁵

3.2 The Way a Government Is Set Up and How It Functions

An OPC in India has to register as a private limited company and “(OPC) Private Limited” should be added to its company name. The founder might also be the only member who directs the company. Under the Act, a necessary step when forming the company is naming a person who will look after the company should the sole member die or become unable to manage affairs. A person can agree to being a nominee by signing a paper document and this agreement can be withdrawn at any moment.

OPCs do not have to hold Annual General Meetings (AGMs) as they do in other private limited companies and board resolutions can often be passed by the member who enters them in the minutes book alone. Simplified rules aside, OPCs are still responsible for using books of accounts, having them examined by auditors and delivering their annual financial statements and returns to the Registrar of Companies (RoC).

3.3 Taxation

For tax purposes, OPCs are handled the same as other domestic companies by the Income Tax Act, 1961. A 22% tax is applied to them under Section 115BAA unless they take advantage of special exemptions and incentives. Start-ups that choose OPCs as their structure could be eligible for start-up tax benefits under the Startup India scheme. Instead of the United States’ system, where you can include business income and losses on your own tax forms, India does not have that flexibility. Tax officials view OPCs as separate legal bodies.

3.4 How to Use Them and Their Shortcomings

Before, firms designated as OPCs were not allowed to change into other types of firms by choice unless at least two years had passed from their founding and the company had accumulated paid-up capital of ₹50 lakh or earned average turnover of ₹2 crore. Because the Companies (Amendment) Act, 2021 replaced these limits, businesses are able to turn into private or public companies faster based on what is best for them.¹⁸⁶

While liberalizations have happened, some limits are still in place. Only one OPC can be formed by a person at any given time and they cannot be nominated in more than one at once. They are not allowed to take part in financial activities like those of Non-Banking Financial Companies (NBFCs). Also, despite the fact that accounting companies have a smaller set of requirements than other firms, they are still

¹⁸⁴ Companies Act, 2013, s. 2(62).

¹⁸⁵ Companies (Amendment) Rules, 2021, Gazette Notification dated 1 February 2021.

¹⁸⁶ G.K. Kapoor & Sanjay Dhamija, Company Law and Practice, 20th ed. (Taxmann Publications, 2022).

required to be audited, unlike small LLPs which might make the OPC model less suitable for small businesses.

4. Legal Framework in the United Kingdom

The UK offers clear laws for One Person Companies (OPCs) even though this specific term cannot be found in the legislation. By virtue of Section 7 of the 2006 Companies Act, a personal business is considered legally possible and is commonly called a single-member private limited company. The new rules follow the European Union's Twelfth Company Law Directive (1989) which instructed member states to allow companies to be formed by one person.¹⁸⁷

A single-member company in the UK is given the same legal standing as any private limited company, with separate legal existence, liability that is restricted to its assets and the ability to carry on regardless of major changes to the company. Setting up a one-person company simply requires sending Form IN01 with a memorandum, articles and a registered address to Companies House. Many cases can be completed in just one workday using online systems.¹⁸⁸

In single-member companies, corporate governance has flexible rules. The Companies Act of 2006 states that a business may have just one person acting as both director and shareholder. Having both roles allows the person to control business operations more easily. A solo member of a company can make business decisions legally valid by writing them down and keeping minutes.

Although they have only one member such firms must obey the same laws as other private limited companies. This means you must file annual financial statements, supply confirmation statements to Companies House and send corporation tax returns to HM Revenue & Customs (HMRC). For single companies that are micro-entities or small companies, there

are reduced disclosure requirements and easier accountancy rules following UK GAAP.

The single owner is not responsible for company debts, unless the case involves fraud, wrongful trading or if the corporate veil is lifted—an unusual step that occurs only when the company is misused. For tax reasons, the company is identified independently and any profits are liable for corporation tax. Regardless of any dividend allowances, the sole member must pay tax on dividends as part of their personal income taxes.

The legal regime in the UK makes single-member companies attractive by offering both legal protections and operational flexibility. However, compliance requirements and the need for clear separation between personal and business finances can pose challenges for entrepreneurs. Overall, the UK's corporate law framework effectively balances regulatory oversight with entrepreneurial autonomy, encouraging formalization and growth of solo enterprises.¹⁸⁹

5. Legal Framework in the United States

Because there is no national company law in the US, it is the states that mainly govern how businesses can be created and run. In most cases, OPCs are structured as SMLLCs which give solo entrepreneurs an easy-to-run business that limits their liability. After forming a limited liability company (LLC), the Articles of Organization are filed with the Secretary of State, along with an operating agreement that helps manage the company and protects its members from liability, even though it's not always required. Since the earnings and losses of SMLLCs are included on the owner's individual returns, they do not suffer from double taxation that corporations do; however, owners can decide to be taxed like a corporation if they wish. This separates the single member from personal liability as long as the business is conducted according to law and is separated from the member's other assets. Because

¹⁸⁷ Council Directive 89/667/EEC of 21 December 1989 on single-member private limited-liability companies, [1989] OJ L395/36.

¹⁸⁸ Avtar Singh, *Company Law* (16th ed., Eastern Book Company, 2023).

¹⁸⁹ M.C. Bhandari, *Guide to Company Law Procedures* (30th ed., LexisNexis, 2021).

SMLLCs are not required to hold annual meetings or keep extensive records, like corporations, they are very attractive to single entrepreneurs. However, because each state's laws are different, companies facing challenges in other states or looking for the same legal coverage often experience difficulties. Due to the divided structure, laws are not always the same and following the rules is not always consistent from state to state.¹⁹⁰

6. Legal Framework in Singapore

One Person Companies are legally allowed in Singapore under the Companies Act (Cap. 50) and the registration by just a single individual grants them their own legal identity and limited liability coverage. Through understanding the process on BizFile+ which is managed by ACRA, the registration of a company can usually be done in just one day. After being formed, the company should prepare yearly reports, make statements of its finances and designate a company secretary within six months. Even though the system enables clear policies and good management, it can be challenging for small and new companies to handle the compliance requirements. Because the corporate tax in Singapore is just 17% and startups get tax exemptions, it becomes simpler and better for businesses to operate there. Its benefits are based on favorable business rules, advanced technology and lower fees to set up a business. Still, there are some problems, for example, foreign entrepreneurs may find it tricky because they need to assign a local director and the stringent compliance rules could trouble little businesses. On the whole, Singapore's rules are supportive of the development of OPCs.¹⁹¹

7. Comparative Analysis

It is clear from studying the laws about OPCs in the United Kingdom, United States and Singapore that there are similarities and differences due to their individual legal histories,

reasoning behind their regulations and economic situations. Entrepreneurs, law professionals and policymakers need to know these differences and similarities to help build useful and lawful environments for solo enterprise.

Getting Recognized and Having Legal Authority

All three countries consider OPCs to be separate from their only owners and protect the owners from some types of liability. Thanks to this principle, the entrepreneur's personal assets are safe from claims linked to running the business, helping them become more innovative. Following EU guidance on transparency and good corporate practices, the Companies Act 2006¹⁹² makes single-member companies an explicit form of UK businesses. Just as in New Zealand, Singapore's Companies Act (Cap. 50) permits one person to create a private limited company with its own legal status and liability limits. Since the US has no uniform corporate law, the federal government treats OPCs by permitting Single-Member Limited Liability Companies (SMLLCs) within each state. However, this kind of setup lets SMLLCs do the same things, offering defenders as well as easy operation.

How a Business Forms and Practices Regulations

How OPCs are set up ranges from being quite simple in some areas to very difficult in others. Registering a business in Singapore is quick and easy because the process is done completely online. The fact that it is cost-effective, organized and heavily digital means Singapore is highly sought out by entrepreneurs and foreign investors. People In the UK can easily register a business online through Companies House and usually have it set up within 24 hours. You will need to send in standard documentation such as Memorandum and Articles of Association as well as choose both directors and a company secretary. Although not as straightforward as Singapore, the UK's

¹⁹⁰ G. K. Kapoor & Sanjay Dhamija, *Company Law and Practice* (20th ed., Taxmann Publications, 2022).

¹⁹¹ Ramaiya, *Guide to the Companies Act* (LexisNexis Butterworths, 2023).

¹⁹² Companies Act, 2006 (UK).

approach adds regulatory safety to simplicity. How to incorporate your business in the US differs from one state to another. How much it costs and when it must be done varies by state and Articles of Organization are required from the Secretary of State except in a few states. Differences between states complicate moving between them and may confuse entrepreneurs who don't know the local details.¹⁹³

Taxation Regimes

Which jurisdiction and type of OPC can be chosen is largely dependent on tax treatment. SMLLC owners in the US do not pay corporate taxes, as their business income appears on their personal tax return. Owners also have the option to choose corporate taxation if it's useful which allows for adjusting the tax arrangement as needed. Due to its flexible tax system, the US model is attractive, but careful thought is needed because the tax laws vary greatly. Standard UK corporation tax are applied to OPCs, currently at 19% and some reliefs and incentives are offered. Canada's tax system is clear, but OPCs miss out on pass-through taxation, a model found in the US. Startups in Singapore can enjoy tax breaks on their first S\$100,000 of income and pay a flat 17% corporate tax rate from the start. Because of these pro-business tax laws, many OPCs and startups make Singapore a key location.

The importance of following Compliance & Corporate Governance

The amount of regulation and corporate governance expected from OPCs is not the same worldwide. OPCs based in the UK must follow strict rules by having a director on board, producing and filing their accounts and declaring confirmation statements. It makes the sector transparent and gives investors confidence, while creating a moderate challenge for compliance. Singapore expects companies to have a local director, file annual reports, prepare financial statements and appoint a company secretary all within six

months after incorporation. While meeting these rules helps keep regulations solid, they can be challenging for many foreign entrepreneurs or small OPCs. Instead, the US is known for flexibility; starting an SMLLC there means less paperwork and typically no obligation to hold yearly meetings. While the operating agreement is highly advised, it is up to the individuals if they use it. Sometimes, this flexibility helps solo entrepreneurs but it might mean that important things like accountability and transparency are not paid enough attention.¹⁹⁴

8. Policy Recommendations

8.1 OPC laws have been increasingly brought into line.

As countries become more connected economically, entrepreneurs find it difficult when laws for OPCs are not the same from place to place. Creating model laws or widely accepted treaties to harmonize OPC regulations would make it easier for countries to do business with one another. This balance would support the acceptance of OPCs in each other's systems, reduce registration requirements and improve access to other markets. The UNCITRAL Model Law on Business Organizations could act as a guide for creating such laws here. Regulating laws throughout the community would help investors and creditors stay informed about equal obligations, management and dispute resolutions.¹⁹⁵

Enabling ease of compliance for small Original Provisions Companies

Lots of OPCs are small businesses or new companies that function with limited budgets and sales. Forced compliance with a lot of rules can stop entrepreneurship and limit innovation in these areas. A good approach would be for policymakers to require bigger companies to handle more frequent and complex paperwork, whereas smaller companies could use reduced

¹⁹³ Stephen M. Bainbridge, *Corporation Law and Economics*, 2nd ed. (2020)

¹⁹⁴ Stephen Mayson, Derek French & Christopher Ryan, *Mayson, French & Ryan on Company Law*, 36th ed. (Oxford University Press, 2022).

¹⁹⁵ Henry Hansmann & Reinier Kraakman, 'The Essential Role of Organizational Law', *Yale Law Journal* (2000).

and simpler formats. Waivers on requirements such as audits would lessen both costs and paperwork. The use of technology by Singapore to make filings more digital supports how regulatory goals can be reached with less effort.

Discourage systems that prefer certain activities or groups over others, by giving them tax advantages.

The way taxes are handled has a big impact on OPCs' attractiveness. Income from the US pass-through tax system goes directly onto the owner's tax form, preventing double taxation and making it easier to run taxes. Other areas could benefit by putting in place tax neutrality solutions suitable for their circumstances. Smart tax rules that are not complicated and set out what deductions and credits are allowed would motivate larger numbers of entrepreneurs to choose OPCs. Equal treatment for early-stage OPCs could help them grow and last long term with incentives such as abatements for the first few years.¹⁹⁶

For legal protections and regulations to help, people starting a business should realize what is expected of them. Having governments and business support organizations invest in such programs empowers solo entrepreneurs by explaining the OPC advantages, the legal rules and ways to protect themselves. They can involve workshops, internet information resources, support hotlines and alliances with trade associations. Being legally literate will allow entrepreneurs to deal with different laws openly, lessen the chance of accidental rule-breaking and ensure a good business culture begins right away.

9. Conclusion

One Person Companies (OPCs) have started appearing all over the world to help those starting businesses, as they combine limited liability with easy operations. The comparison of laws in the UK, US and Singapore reveals that OPC regulations vary based on what is most

important to the economies and the different ways each governs. Because the corporate framework in the UK is detailed and highlights transparency and responsibility, it's an ideal place for entrepreneurs who want official recognition and to earn investors' trust. Singlemember LLCs in each US state provide unmatched possibilities and great tax advantages for people who value ease of use and financial savings. Thanks to technology, a friendly business environment, reliable digital infrastructure and helpful tax incentives, Singapore now offers a modern approach to starting and running a company smoothly.

It is clear from the analysis that no single system is flawless, but all areas share useful methods that can be adopted and adopted elsewhere to improve OPCs. If laws are harmonized, business compliance made simpler for small firms, the tax system remains neutral and legal understanding increases, the OPC situation across countries can improve much more. Originally, making sure the OPC regime is powerful, fair and open empowers individuals in business to support growth, new ideas and employment, helping support greater development.

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