



## Inside this edition

- Company Law Settlement Scheme, 2014
- Amendments to the Companies (Meetings of Board and its Powers) Rules, 2014

& more...



## Company Law Settlement Scheme, 2014



MCA vide General Circular No. 34/2014 dated August 12, 2014 has given an opportunity to the Companies which have made a default in filing of annual statutory documents to make their default good by filing belated documents under the 'Company Law Settlement Scheme, 2014 ("CLSS 2014")

### Operation of Scheme

This scheme shall be in operation from August 15, 2014 to October 15, 2014.

### Advantages

This scheme gives to such companies-

- immunity for prosecution; and
- Charging a reduced additional fee of 25% of the actual additional fees payable under Section 403 of the Act read with Companies (Registration Office and Fees) Rules, 2014.
- This scheme also gives an opportunity to inactive companies to get their Companies declared as 'dormant Company' as under Section 455 of the Act by filing a simple application at reduced fees.

The application for seeking immunity in respect of belated documents filed under the Scheme may be made electronically in the E-Form CLSS-2014.

### Scheme is applicable to the following E-Forms:

- E-Form 20B- Form for filing Annual Return by a company having share capital;
- E-Form 21A- Particulars of Annual return for the company not having share capital;
- E-Form 23AC, 23ACA, 23AC-XBRL and 23ACA - XBRL - Forms for filing balance sheet and profit and loss account;
- Form 66- Form for submission of Compliance Certificate with the Registrar;
- Form 23B- Form for intimation of appointment of auditors.

### Scheme shall not apply to the following companies:

- Companies against which action for striking off the name under Section 560(5) has already been initiated by the Registrar of Companies; or
- Where any application has been filed by the Companies for action of striking off name from the Registrar of Companies; or
- Where applications have been filed for obtaining dormant status under Section 455 of the Act; or
- Vanishing companies.

### Scheme for Inactive Companies:

The defaulting inactive companies, while filing due documents under CLSS-2014 can simultaneously, either:

- Apply to get themselves declared as Dormant Company under section 455 of the Companies Act, 2013 by filing E-Form MSC- 1 at 25% of the fee for the said form; or
- Apply for striking off the name of the Company by filing E-Form FTE at 25% of the fee payable on form FTE.

## Amendments to the Companies (Meetings of Board and its Powers) Rules, 2014



MCA vide Notification No. G.S.R. 590(E) dated 14th August, 2014 amended the Companies (Meetings of Board and its Powers) Rules, 2014.

### Key Amendments

#### I. Meeting through video conferencing

**Provisions of old Rule:** Earlier, Rule 3 (6) stated that "with respect to every meeting conducted through video conferencing or other audio visual means authorized under these rules, the scheduled venue of the meeting as set forth in the notice convening the meeting, which shall be in India, shall be deemed to be the place of the said meeting and all recordings of the proceedings at the meeting shall be deemed to be made at such place."

**Amendment:** The amendment has omitted the words and commas "which shall be in India,"

**Provisions of New Rule:** New Rule 3(6) reads as under:

"with respect to every meeting conducted through video conferencing or other audio visual means authorized under these rules, the scheduled venue of the meeting as set forth in the notice convening the meeting shall be deemed to be the place of the said meeting and all recordings of the proceedings at the meeting shall be deemed to be made at such place."

Pursuant to this amendment, now a Company can schedule a meeting through video conferencing or other audio visual means authorized under the rules even at a place outside India

#### II. Audit Committee Meetings through Video Conferencing

**Provisions of old Rule:** The existing Rule 4 (iv) states that the Audit Committee Meetings cannot be held through video conferencing or other audio visual means for consideration of accounts.

**Amendments:** MCA vide the said Notification has amended the Rule 4 (iv) by substituting the words "consideration of accounts" with "consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under sub-section (1) of Section 134 (Financial Statement, Board's Report, etc.) of the Act". Thus now, Audit Committee Meetings held through video conferencing or other audio visual means cannot consider approval of financial statement including consolidated financial statement.



### III. Related Party Transactions

Following amendments have been brought in by MCA vide its notification:

- The threshold limits for entering into transactions with related parties has been amended
- Prior approval of Members by means of Special Resolution is now not required for Company having paid up share capital of ₹ 10 Crore or more
- Earlier, proviso (1) of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 states that a Company having paid up share capital which is equal to or exceeds ₹ 10 Crore, or transactions for value of threshold limit mentioned in the Rules required (i) approval of Board of Directors and (ii) prior approval of members by means of a special resolution before entering into any related party transactions. However, as per the Notification dated 14th August, 2014, the **above mentioned threshold limit of ₹ 10 Crore of the paid-up share capital, is withdrawn.**
- Therefore, now if the Company intends to enter into a Related Party Transaction then in addition to the approval of the Board of Directors of the Company, prior approval of members by means of a special resolution must also be sought for entering into transactions for the below mentioned threshold limits of transactions only, irrespective of Companies paid up share capital:

- i) Sale, purchase or supply of any goods or materials directly or through appointment of agents **exceeding 10% of the turnover of the company or ₹ 100 Crore, whichever is lower**
- ii) Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents **exceeding 10% of Net Worth of the Company or ₹ 100 Crore whichever is lower**
- iii) Leasing of Property of any kind **exceeding 10% of the Net Worth or 10% of turnover of the Company or ₹ 100 Crore whichever is lower**
- iv) Availing or rendering of any service directly or through appointment of agents **exceeding 10% of the turnover of the company or ₹ 50 Crore, whichever is lower**

*The limits specified in (i) to (iv) above shall apply for transaction(s) to be entered into either individually or taken together with the previous transactions during a financial year.*

- v) Appointment to any office or Place of Profit in the Company, its Subsidiary Company or Associate Company at a **monthly remuneration exceeding ₹ 2.5 Lakhs**
- vi) Remuneration for underwriting the subscription of any Securities or Derivatives thereof of the Company **exceeding 1% of the Net Worth.**

*The Turnover or Net Worth referred in (i) to (vi) above shall be computed on the basis of the Audited Financial Statements of the preceding financial year.*

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