

# CORPORATE AND RELATED LAWS REVIEW

## SEPTEMBER 2020



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## Amendment to Companies (Acceptance of Deposits) Amendment Rules



Ministry of Corporate Affairs has issued the Companies (Acceptance of Deposits) Amendment Rules, 2020. Amended Rule provided that Start-up Company receiving an amount of Rs. 25 Lakhs or more by way of convertible note (which is convertible into equity shares or repayable) within a period of not exceeding 10 years from date of issue in a single tranche from a person, won't be treated as deposit.

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## Extension of relaxation for holding Board Meeting through Video-Conferencing for restricted matters



MCA vide its notification has issued the Companies (Meetings of Board and its Powers) Third Amendment Rules, 2020 to provide further relaxation in the requirement of holding Board meetings with physical presence of directors for approval of the restricted matters. Accordingly, up to December 31, 2020, the Board meetings on approval of restricted matters may be held through video conferencing or other audio visual means in accordance with Rule 3 of the Companies (Meetings of Board and its Powers) Rules, 2014.

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## Extended the time limit for existing Independent Directors to apply online for registration in Data Bank



MCA vide notification dated September 28, 2020 issued the Companies (Appointment and Qualification of Directors) Fourth Amendment Rules, 2020 to further extend the time limit upto December 31, 2020, the period within which the existing Independent Directors can register themselves on the databank maintained by the Indian Institute of Corporate Affairs

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## Extension of duration of various schemes up to December 31, 2020



MCA in view of the continued disruption caused due to COVID-19 pandemic and to provide greater ease of doing business has extended the duration of the following schemes up to December 31, 2020 namely:

1. Companies Fresh Start Scheme, 2020 (CFSS-2020)
2. LLP Settlement Scheme, 2020
3. Scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013
4. Companies to conduct EGMs through VC or OAVM or transact business through postal ballots in accordance with the specified framework provided earlier.

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## MCA further extended the creation of deposit repayment reserve and to invest or deposit

The Ministry of Corporate Affairs in continuation to General Circulars on account of COVID-19 has further extended the time in respect of matters related to creation of a deposit repayment reserve of 20% under Section 73 (2) (c) of the Companies Act 2013 and to invest or deposit 15% of amount of debentures from September 30, 2020, to December 31, 2020.

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## The Companies (Amendment) Act, 2020-Highlights



The President of India has given its assent to the Companies (Amendment) Bill, 2020, which further amends the Companies Act, 2013. The Companies (Amendment) Act, 2020 reduces, decriminalize or remove penalties of various offences, aimed at improving the ease of doing business.

Major changes of the Companies (Amendment) Act, 2020 are:

1. To decriminalize certain offences under the Companies Act, 2013 in case of defaults which can be determined objectively and which otherwise lack any element of fraud or do not involve larger public interest.
2. To empower the Central Government to exclude certain class of companies from the definition of "listed company", mainly for listing of debt securities with consultation with the SEBI.
3. To clearly mention the jurisdiction of trial court on the basis of place of commission of offence under the Companies Act, 2013 for wrongful withholding of property of a company by its officers or employees.
4. To give birth to producer companies by incorporating a new Chapter for the producer companies under the Companies Act, 2013
5. To set up Benches of the National Company Law Appellate Tribunal;
6. To make provisions for allowing payment of adequate remuneration to non-executive directors in case of inadequacy of profits, by aligning the same with the provisions for remuneration to executive directors in such cases;
7. To relax provisions relating to charging of higher additional fees for default on two or more occasions in submitting, filing, registering or recording any document.
8. To extend applicability relating to lesser penalties for small companies and one person companies, to all provisions of the Companies Act, 2013 which attract monetary penalties and also extend the same benefit to Producer Companies and start-ups.
9. To exempt any class of persons from complying with the requirements relating to declaration of beneficial interest in shares and exempt any class of foreign companies or companies incorporated outside India.
10. To reduce timelines for applying for rights issues so as to speed up such the issues under section 62;
11. To extend exemptions to certain classes of non-banking financial companies and housing finance companies from filing certain resolutions under section 117 Companies Act;
12. To provide that the companies which have CSR spending obligation up to 50 lakh rupees shall not be required to constitute the CSR Committee.

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13. To allow eligible companies under Companies Act to set off any amount spent in excess of their CSR spending obligation in a particular financial year towards such obligation in subsequent financial years.
14. To provide for a window within which penalties shall not be levied for delay in filing annual returns and financial statements in certain cases.
15. To provide for specified classes of unlisted companies to prepare and file their periodical financial results.
16. To allow direct listing of securities by Indian companies in permissible foreign jurisdictions as per rules to be prescribed.

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### Re-lodgment of Shares Transfer Requests



SEBI had clarified that transfer deeds lodged prior to deadline of April 01, 2019 and rejected/returned due to deficiency in the documents may be re-lodged with requisite documents. SEBI fixed the cutoff date as March 31, 2021 for re-lodgment of transfer deeds. Further, the shares that are re-lodged for transfer (including those request that are pending with the listed company / RTA, as on date) shall henceforth be issued only in demat mode.

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