



COMPLIANCE UPDATE

June 2020 – July 2020

Companies Act, 2013

Amendments for June 2020

The Ministry of Corporate Affairs (MCA) has announced a slew of relaxations on timelines for various regulatory and statutory compliances in order to reduce instances of non-compliances and provide some respite to corporate India from the attendant adverse consequences.

The notification and circulars for June 2020 are as follows:

- **Relaxation for filing forms to create and modify charges**
Rule 10, 12 and Annexure 1 A of Companies (Registration Offices and Fees) Rules

The charge is a lien created on the property or asset of a company which is held as security by lenders. These charges or debt would require mandatory registration in the registrar of companies within 120 days of its creation or modification. In case delayed late filing charges would be imposed.

Circular – The circular dated June 17, 2020 eliminated the additional fee for late filing during the moratorium period (from April 1 to September 30, 2020) for any document, return, statement etc. to be filed with the MCA registry.

(To view the circular, please [click here](#))

- **Annual financial statements**
Rule 4(1) and (2) of the Companies (Meeting of Board and its Power) Rules, 2014

The meetings for the approval of annual financial statements including board report and other matters of amalgamation, merger, demerger, and acquisition, have to be conducted physically on or before June 30, 2020.

Notification – The notification dated June 23, 2020 eliminates the requirement for physical meeting and allows for the meeting to be conducted through video conferencing or other audio-visual means, as per the procedure mentioned in Rule 3. The date for such a meeting has been extended to September 30, 2020.

(To view the notification, please [click here](#))

▪ **Databank- Independent director registration**

Rule 6 (1)(a) of the Companies (Appointment and Qualification of Directors) Rules, 2014

MCA, along with Indian Institute of Corporate Affairs (IICA), has developed a databank of Independent Directors in accordance with the provisions of Section 150 of the Companies Act, 2013. The registration of Independent directors into the database should be completed within seven months of the appointment.

Amendment – The amendment dated June 23, 2020 extended the deadline for the appointment of independent director to 10 months of the appointment.

(To view the amendment, please [click here](#))

▪ **Extension of validity of SRNs for verification report to Investor Education and Protection Fund Authority (IEPF)**

Rules 7 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016

Every company shall hold an annual general meeting to identify investors' shares, matured deposits, matured debentures, unpaid dividends which have been unclaimed for seven consecutive years and the same shall be transferred to IEPF Authority. The claim of the amount is made in accordance with Rule 7 of the IEPF Rules, 2016 by making an application in online Form No. IEPF-5 where Service Request Number (SRN) is generated.

Notification – The notification dated June 23, 2020 relaxed the deadline for submission and re-submission of the report to the IEPF Authority whose expiry date of SRNs were falling between March 15, 2020 to July 31, 2020 – these can now filed till September 30, 2020.

(To view the notification, please [click here](#))

▪ **Paid-up capital scope for sweat equity shares expansion**

Rule 8 of Companies (Share Capital and Debentures) Rules, 2014 Companies (Share Capital and Debentures) Amendment Rules, 2020

Sweat equity shares are issued by the company to its Directors or Employees at a discount or for consideration other than cash, such as providing know-how, making available rights in the nature of intellectual property rights or value addition. Under the said rule, any start-up company can issue sweat equity shares up to 50% of its paid-up equity capital for the first five years from its inception. This is a part of the start-up initiative of the Ministry of Commerce and Industry.

Notification – The notification dated June 05, 2020 expanded the scope of sweat equity shares to be available for start-ups to ten years from the date of their incorporation or registration.

(To view the notification, please [click here](#))

▪ **Relaxation of time gap between two Board meetings for listed entities**

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations) – section 17(2), 18(2)

As per Sections 17(2) and 18 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), any two meetings of the Board and the Audit Committees should not have a gap of more than 120 days.

Notification – The notification dated June 26, 2020 extended the relaxation of maximum time gap between two Audit/Board meetings which were being held/proposed to held between the period of December 01, 2019 and June 30, 2020 up to July 31, 2020.

(To view the notification, please [click here](#))

▪ **Extension of time for extraordinary general meetings (EGMs)**

Rule 3 of Companies (Meeting of Board and its Power) Rules, 2014

An Extraordinary General Meeting (EGM) is a shareholder meeting called to deal with any matter that cannot wait until the next shareholders meeting and may require shareholders to come together on short notice to be conducted by June 30, 2020.

Circular – The circular dated June 15, 2020 eliminates the need for physical meeting for an EGM and the same can now be conducted through video conferencing or other audio-visual means, as per the procedure mentioned in Rule 3. The deadline for EGMs has been extended to September 30, 2020.

(To view the circular, please [click here](#))

▪ **Removal of PM Care Fund as a beneficiary from the list of CSR activities**


Rule 7 of Companies (CSR Policy) Rules, 2014

Every company having a net worth of Rupees five hundred crores or more, or turnover of Rupees one thousand crores or more, or a net profit of Rupees five crores, must spend 2% of the net profit for CSR activities or contribute to any government projects. Contribution to PM Cares fund was added to the eligible government projects list on May 26, 2020.


Clarification – The clarification issued by MCA dated June 25, 2020 superseded the circular dated May 26, 2020 and omitted PM Care Fund from the list of CSR activities.

(To view the clarification, please [click here](#))

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