

# ARTICLE

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## VINOD KOTHARI AND COMPANY

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### Brief of the Companies (Amendment) Act, 2017

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Parul Bansal

[parul@vinodkothari.com](mailto:parul@vinodkothari.com)

Vinod Kothari & Company  
Corporate Law Services Division  
[corplaw@vinodkothari.com](mailto:corplaw@vinodkothari.com)

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## *Brief of Companies (Amendment) Act, 2017*

Most awaited the Companies (Amendment) Act, 2017 (“Act, 2017”) has seen the light of the day with the receipt of President’s assent on January 03, 2018. The Companies (Amendment) Bill, 2017 (“Bill, 2017”) was duly passed in both the Houses of Parliament on July 27, 2017 and December 19, 2017. The Bill, 2017 as approved by Lok Sabha was mutatis mutandis adopted by Rajaya Sabha and President. Brief of the amendments under the Companies Act, 2013 (“Act, 2013”) pursuant to Act, 2017 are listed below:

### **The amendments**

<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
2 (6)	<b>Associate company</b>	To determine significant influence control at least 20% of total voting power shall be considered instead of total share capital.
2(30)	<b>Debenture</b>	Instruments referred to in Chapter III-D of the Reserve Bank of India Act, 1934; and such other instrument, as may be prescribed by the Central Government in consultation with the Reserve Bank of India, issued by a company, shall not be treated as debenture;
2(41)	<b>Application for adopting different financial years</b>	An associate foreign company of the company along with a holding and/or a subsidiary company will now be allowed to apply for exemption for following different Financial Year;
2 (46)	<b>Holding Company</b>	Expression “company” in the definition of holding company will include body corporate.
2 (51)	<b>Key Managerial Personnel</b>	Officer, not more than one level below the directors who is in whole-time employment may be designated as key managerial personnel by the Board.
2 (57)	<b>Net-worth</b>	While calculating net worth debit and credit balance in the profit and loss account shall be considered
2(72)	<b>Public Financial Institution</b>	Financial institutions which are established under the Act, 2013 or any other previous company law which are not government companies as per clause (B), shall be excluded from the definition of PFI.
2(76)	<b>Related Party</b>	An investing company or a venturer shall also become a related party as per the new list.  Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.
2(85)	<b>Small Company</b>	Limit upto which maximum paid up share capital and turnover of a small company can be prescribed has been increased from INR 5 crore and INR 20 crore to INR 10 crore and INR 100 crore. Further, it is clarified that for the purpose of computing turnover, profit and loss account of immediately preceding financial year shall be considered.
2(87)	<b>Subsidiary</b>	Previously, the company on which another company exercises or controls more than one-half of the <b>total share capital</b> either at its own or together with one or more of its subsidiary companies shall be considered as holding. However, now the term total share capital

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		has been substituted with words “ <b>total voting rights</b> ” in order to consider only equity share capital for the same. However, one need to consider section 47 too, wherein the preference shareholders get right of voting in every resolution in case of non payment of dividend for two years.
2(91)	<b>Turnover</b>	Gross amount of <b>revenue recognised</b> in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;  Previous definition provided for <b>aggregate value of the realisation</b> of amount made from the sale, supply or distribution of goods or on account of services rendered.
3A	<b>Reduction in number of members</b>	All the members shall be severally liable in case the company carries on business for more than 6 months while the number of members is reduced below 7 or 2, in case of a public company or a private company, respectively.
4	<b>Name reservation in case of new company</b>	The Registrar will reserve the name for 20 days only. In case of change of company by an existing company, there is no impact as the timelines are same.
7	<b>Furnishing of declaration by the subscribers to the memorandum and first directors.</b>	The requirement of furnishing an affidavit has been substituted with declaration.
12	<b>Timeline for having a registered office by a new company and reporting of shifting of registered office to the Registrar.</b>	Timeline increased from 15 days to 30 days.
21	<b>Authentication of Documents</b>	Documents and contracts can be authenticated by KMP or an officer or <b>employee</b> of the company duly authorized by Board.
26	<b>Contents of prospectus</b>	Specific details which were specified in Section 26 have been deleted as those are covered under SEBI ICDR Regulations, 2009.
35	<b>Civil-liability for mis-statements in prospectus</b>	Shield is provided to the person from civil-liability for mis-statement in prospectus if he proves the following: <ul style="list-style-type: none"> <li>every misleading statement purported to be made by an expert or contained in what purports to be a copy of or an extract from a report or valuation of an expert, it was a correct and fair representation of the statement, or a correct copy of, or a correct and fair extract from, the report or valuation;</li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		<ul style="list-style-type: none"> <li>• he had reasonable ground to believe and did up to the time of the issue of the prospectus believe, that the person making the statement was competent to make it;</li> <li>• the said person had given the consent required by sub-section (5) of section 26 to the issue of the prospectus and had not withdrawn that consent before delivery of a copy of the prospectus for registration or, to the defendant's knowledge, before allotment thereunder.</li> </ul>
42	<b>Process of private placement:</b>	<p><b>Whole section has been substituted. Major amendments are:</b></p> <ul style="list-style-type: none"> <li>• The group of persons whom the offer is to be made is to be identified by the Board.</li> <li>• Private Placement offer and application shall not carry right of renunciation.</li> <li>• Requirement to file Form GNL-2 gets discontinued;</li> <li>• <b>Companies cannot use funds till return of allotment has been filed with ROC within 15 days from the date of allotment. Separate penalty provided for default in filing of return of allotment.</b></li> <li>• Companies can simultaneously take up more than one issue of securities.</li> <li>• Rules are yet to be amended to give effect to the aforesaid amendment i.e. non filing with Registrar and SEBI.</li> </ul>
53	<b>Issue of shares at discount</b>	Company may issue shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any guidelines or directions or regulations specified by the Reserve Bank of India under the Reserve Bank of India Act, 1934 or the Banking (Regulation) Act, 1949.
54	<b>Issue of sweat equity shares</b>	Removal of the restriction to issue sweat equity shares before expiry of 1 year from the commencement of business.
62	<b>Mode of delivery of offer letter for right issue</b>	Addition to the mode of delivery of offer letter under section 62(1)(a)(i) being any other mode having proof of delivery.
62	<b>Valuation under section 62(1)(c)</b>	Report of registered valuer under section 62(1)(c ) shall now be subject to compliance of Chapter III of the Act and any other conditions as may be prescribed.
73	<b>Acceptance of deposits</b>	<ul style="list-style-type: none"> <li>• Changes in the provision of creating deposit repayment reserve account i.e. company accepting deposit is required to deposit, on or before the 30th day of April each year, such sum which shall not be less than twenty per cent. of the amount of its deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account;</li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		<ul style="list-style-type: none"> <li>• Removal of provision of deposit insurance;</li> <li>• The company, if defaulted in repayment of deposit or payment of interest thereon, will also be allowed to raise deposits, subject to the condition that it has repaid all the money &amp; 5 years have elapsed since the date of making good the default.</li> </ul>
74	<b>Changes in repayment schedule of deposits</b>	<ul style="list-style-type: none"> <li>• Deposits shall be repaid within 3 years instead of 1 year from the date of commencement of the Act or before the date provided for maturity of deposits, whichever is earlier.</li> <li>• Renewal of any such deposits shall be done in accordance with the provisions of Chapter V and the rules made thereunder.</li> </ul>
77	<b>Registration of charges</b>	The Central Government in consultation with RBI may exempt charges to which section 77 shall not apply.
82	<b>Changes in reporting about payment or satisfaction of charge by the company</b>	The company shall file Form CHG -4 within 30 days. In case of delay, the company can file Form CHG-4 within 300 days from the date of payment/satisfaction, with payment of additional fees, as against requirement of condonation of delay.
89	<b>Declaration in respect of beneficial interest</b>	Definition of beneficial interest provided which is likely to include cases of pledge with voting rights, transfer of dividend rights etc. within its ambit.
90	<b>Register of significant beneficial owners in a company</b>	<ul style="list-style-type: none"> <li>• Requirement of a declaration to the company by a significant beneficial owner i.e. every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five percent or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (27) of section 2.</li> </ul>
92	<b>Annual Return</b>	<ul style="list-style-type: none"> <li>• Removal of requirement to include the company's indebtedness in the Annual Return;</li> <li>• Removal of the requirement to indicate detailed particulars about foreign institutional investors;</li> <li>• Central Government may prescribe abridged form of Annual Return for One Person Company, small company and such other class or classes of companies as may be prescribed;</li> <li>• Removal of requirement to annex extract of Annual Return to the Board's Report;</li> <li>• Requirement to upload Annual Return on the website of the company, link of which to be provided in the Board's Report;</li> <li>• Reference to Section 403 for time limits removed.</li> </ul>
93	<b>Return of change in stake ("MGT-10")</b>	Omission of the requirement of filing return in Form MGT-10 with the Registrar in case of change of stake of the promoters and top ten shareholders of the company.
94	<b>Place of keeping and</b>	<ul style="list-style-type: none"> <li>• Omission of the requirement of filing of a copy with the</li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
	<b>inspection of registers, returns, etc</b>	Registrar of the proposed special resolution in advance for keeping registers u/s 88 and copies of the annual return u/s 92 at a place in which more than 1/10th of members entered in the register of members reside other than at the registered office of the company. <ul style="list-style-type: none"> <li>For the purposes of confidentiality, certain documents as may be prescribed shall not be open for inspection or availing copy thereof.</li> </ul>
96	<b>Place for convening AGM of unlisted company</b>	Annual general meeting of an unlisted company may be held at any place in India subject to prior consent of all the members of the company in writing or by electronic mode.
100	<b>Place of convening EGM</b>	Extra-ordinary general meeting (“EGM”) of the company shall be held at any place in India provided, EGM of wholly owned subsidiary incorporated outside India may be held outside India.
101	<b>Minimum consents required for calling general meeting</b>	General meetings may be called at shorter notice subject to below mentioned consents in writing or by electronic mode: <ul style="list-style-type: none"> <li><b>Annual General Meeting:</b> Consent of at least not less than 95% of members entitled to vote at the meeting.</li> <li><b>Extra-ordinary General Meeting:</b> <ol style="list-style-type: none"> <li><b>Company having share capital:</b> Majority of members entitled to vote who represents not less than 95% of the paid up share capital of the company.</li> <li><b>Company not having share capital:</b> not less than 95% of the total voting power exercisable at the meeting.</li> </ol> </li> </ul> <p>If any member of a company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, such member shall be taken into account for the purposes of this sub-section in respect of the former resolution or resolutions and not in respect of the latter.</p>
110	<b>Mandatory requirement to pass resolution by postal ballot</b>	In case of matters required to be mandatorily conducted through postal ballot, the same may be transacted at a general meeting by the company which is required to provide electronic voting facility under section 108.
123	<b>Payment of dividend</b>	<ul style="list-style-type: none"> <li>Amount representing unrealized gains, notional gains or revaluation of assets and any changes in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded while calculating profits for dividend payout;</li> <li>Provision has been made for declaration of interim dividend for any financial year or at any time during the period from closure of financial year till holding of the annual general meeting.</li> </ul>
129	<b>Consolidation of Accounts</b>	Financials of associate company shall also be consolidated with the financials of the Company.

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
132	<b>Constitution of National Financial Reporting Authority.</b>	The appeals against the order of NFRA shall be examined by NCLAT.
134	<b>Board's Report</b>	<ul style="list-style-type: none"> <li>• Omission of the requirement of the CEO to be a director in order to sign the report.</li> <li>• Omission of the requirement of the extract of the annual return in Form MGT-9 to be included in the board's report, instead web address of the annual return shall be provided in this regard.</li> <li>• Salient points of the CSR Policy, Remuneration Policy may be included in the Board's report and link where these policies are posted on website shall be provided. Changes in the policies should be specifically highlighted in the salient points.</li> <li>• Reference in board report with respect to information required to be disclosed therein is already disclosed in financial statements shall be sufficient.</li> <li>• The Central Government may prescribe an abridged Board's report, for the purpose of compliance with this section by a One Person Company or small company.</li> </ul>
135	<b>Corporate Social Responsibility</b>	<ul style="list-style-type: none"> <li>• For determining applicability or requirement to constitute CSR Committee, net worth, turnover or net profit of immediately preceding financial year shall be considered.</li> <li>• If company is not required to appoint Independent Director then the CSR Committee shall be constituted of 2 or more directors.</li> </ul>
136	<b>Copies of audited financial statements</b>	<ul style="list-style-type: none"> <li>• Copies of financial statements including consolidated financials, auditor's report and every other documents under this section can be sent in less than 21 days before the date of the annual general meeting provided consent as mentioned below is received: <ul style="list-style-type: none"> <li><b>i) Company having share capital:</b> Majority in number entitled to vote and who represent not less than 95% of such part of the paid-up share capital of the company as gives a right to vote at the meeting.</li> <li><b>ii) Company not having share capital:</b> not less than 95% of the total voting power exercisable at the meeting.</li> </ul> </li> <li>• Only listed companies are required to place separate audited financials of their subsidiary(ies) on its website.</li> <li>• Listed company having subsidiary outside India shall place financials of subsidiaries as follows: <ul style="list-style-type: none"> <li><b>i)</b> where such foreign subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, such consolidated financials shall be displayed.</li> </ul> </li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		<p><b>ii)</b> Where such foreign subsidiary is not required to get its financials audited: the holding Indian listed company may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.</p> <ul style="list-style-type: none"> <li>• Copy of separate financials of the subsidiary(ies) shall be provided to the member of the company who asks for it.</li> </ul>
137	<b>Filing of financial statements with RoC</b>	<ul style="list-style-type: none"> <li>• Where the company has a foreign subsidiary, it can attach unaudited financial statements of such subsidiary, if getting results audited is not mandated under the law of foreign subsidiary, along with a declaration to this effect, together to be filed with ROC;</li> <li>• Where such financial statements of subsidiary are in language other than English, translated copy shall also be attached.</li> </ul>
139	<b>Ratification of appointment of statutory auditor</b>	Requirement to ratify the appointment of auditor at every AGM is done away with.
143	<b>Right of auditor</b>	Auditor of holding company has a right to access the records of associate companies as well.
149	<b>Companies to have Board of Directors</b>	<ul style="list-style-type: none"> <li>• Person who has stayed in India for a minimum period of 182 days in previous financial year shall be considered as resident. Further, for newly incorporated companies, the requirement of 182 days shall apply proportionately at the end of financial year in which the company is incorporated.</li> <li>• Change in eligibility criteria for independent directors. <ul style="list-style-type: none"> <li>a) Person withdrawing remuneration in the capacity of Independent director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, shall not be construed to have pecuniary relationship with company.</li> <li>b) none of whose relatives— <ul style="list-style-type: none"> <li>(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year. However, relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;</li> <li>(ii) is indebted to the company, its holding, subsidiary</li> </ul> </li> </ul> </li> </ul>



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		<p>or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;</p> <p>(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or</p> <p>(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);</p>
152	<b>Requirement of DIN</b>	Person to be appointed as a director, should have a DIN or such other number as prescribed under section 153.
153	<b>Identification number</b>	Central Government may prescribe such number that shall be treated as DIN for the purpose of this Act, and in any case any individual holds or acquires such identification number, the requirement to apply for DIN shall not apply or shall apply in the prescribed manner.
160	<b>Requirement to deposit amount along with letter of candidature to be appointed as director</b>	In case of company appointing Independent director or director recommended by NRC or board (in case the company does not have NRC), requirement to deposit amount shall not apply.
161	<b>Appointment of additional director, alternate director and nominee director</b>	<ul style="list-style-type: none"> <li>• No person holding directorship in the company in any capacity can stand for alternate directorship in the same company.</li> <li>• Further, the change relates to extending the appointment of director in casual vacancy to private companies. Director appointed by the Board in case of casual vacancy shall subsequently be approved by the members in the general meeting.</li> </ul>
164	<b>Disqualifications for appointment of director</b>	New director appointed in the defaulted company shall not be held disqualified for 6 months from the date of his appointment.
165	<b>Maximum directorship</b>	For reckoning the limit of directorships of twenty companies, the directorship in a dormant company shall not be included.
168	<b>Form DIR-11</b>	Director is not necessarily required to file a copy of resignation with

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		RoC.
167	<b>Vacation of office of director</b>	<ul style="list-style-type: none"> <li>• The change deal with Section 167(1)(a) vacation of office of a director, if he incurs any of the disqualifications referred to under section 164. Director who has attracted disqualification under Section 164(2) shall vacate the office of director in all the companies where he is a director accept in company which is in default.</li> <li>• Further, office of director shall not be vacated for below period under section 167(1)(e) and (f): <ul style="list-style-type: none"> <li>i) for thirty days from the date of conviction or order of disqualification;</li> <li>ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed of; or</li> <li>iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed of.</li> </ul> </li> </ul>
173	<b>Participation in Board meeting through electronic mode</b>	Directors may attend the meeting by audio/video conferencing for all the items subject to presence of quorum in person for such matters for which electronic participation is restricted by Central Government.
177	<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Related party transactions, other than those covered under section 188, if the audit committee does not approve a transaction it shall make the recommendation to the Board.</li> <li>• Flexibility is allowed to audit committees to ratify related party transactions entered into by director/officer of the company within 3 months from the date on which the transaction was entered into, subject to the amount not exceeding one crore rupees.</li> <li>• In case such transaction is not approved it shall be voidable at the option of the audit committee, and if such transaction is with a related party to any director or is authorised by any director, the director shall indemnify the company against the loss.</li> </ul> <p>The requirement of obtaining audit committee approval for related party transactions, shall not apply to a transaction (other than a transaction referred to under section 188) between a holding company and its wholly owned subsidiary.</p>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
178	<b>Nomination and Remuneration Committee</b>	<ul style="list-style-type: none"> <li>• NRC shall specify the manner for effective evaluation of performance of the Board, its committee and individual directors and review its implementation and compliance. Evaluation shall be carried out either by the Board, NRC or by independent external agency.</li> <li>• Salient features of NRC policy and changes therein, if any shall be disclosed in the board's report along with the link to the website where policy is posted.</li> </ul>
180	<b>Restrictions on Board Power</b>	While calculating the threshold to borrow money without obtaining approval of shareholder's under section 180(1)(c) amount of security premium shall also be considered along with paid up share capital and free reserves..
184	<b>Applicability of section 184</b>	The change includes body corporate within the purview of section 184(5)(b) to align it with the provisions of section 184(2).
185	<b>Loan to directors</b>	<ul style="list-style-type: none"> <li>• Giving of loan, providing guarantee or security is prohibited only where the same is given to any director of company, or of a company which is its holding company or any partner or relative of any such director; or any firm in which any such director or relative is a partner.</li> <li>• Loan may be provided, guarantee or security may be given in case of other entities where the director is interested by seeking sanction of shareholders by way of special resolution and the loans shall be utilized by the borrowing company for its principal business activities.</li> </ul>
186	<b>Amendment is section 186</b>	<ul style="list-style-type: none"> <li>• Term 'persons' for the purpose of section 186(2) excludes employees so that loans given as a part of the condition of service or pursuant to a scheme approved by all employees of the company are not covered in this Section.</li> <li>• Relaxation is provided from the requirement of passing special resolution in this section, where loan/guarantee/security is provided by a company to its wholly owned subsidiary or a joint venture company or acquisition by subscription or otherwise shares company by the holding of its wholly owned subsidiary provided the same shall be disclosed in financials in accordance with section 186(4).</li> <li>• Provisions of section 186, except sub-section (1), shall not apply—               <ol style="list-style-type: none"> <li>a) to any loan made, any guarantee given or any security provided or any investment made by a banking company, or an insurance company, or a housing finance company in the ordinary course of its business, or a company established with the object of and engaged in the business of financing industrial</li> </ol> </li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		enterprises, or of providing infrastructural facilities; b) to any investment— (i) made by an investment company; (ii) made in shares allotted in pursuance of clause (a) of sub-section (1) of section 62 or in shares allotted in pursuance of rights issues made by a body corporate; (iii) made, in respect of investment or lending activities, by a non-banking financial company registered under Chapter III-B of the Reserve Bank of India Act, 1934 and whose principal business is acquisition of securities;
188	<b>Related Party Transaction</b>	The requirement of related party to abstain from voting will not apply to a company in which ninety percent or more members, in number, are relatives of promoters or are related parties.
196	<b>Appointment of person of and above 70 years of age</b>	Company may appoint or continue the appointment of a person as a managing director, whole time director or manager who has attained the age of seventy years in case no special resolution has been passed subject to approval of shareholders by ordinary resolution and the Central Government being satisfied on an application that such appointment is beneficial to the company.
197	<b>Overall maximum managerial remuneration and managerial remuneration in case of absence or inadequacy of profits.</b>	<ul style="list-style-type: none"> <li>• The changes replace the requirement of Central Government's approval under section 197 with approval by shareholders.</li> <li>• Approval of shareholders by special resolution shall be obtained for giving remuneration in excess of limits provided in second proviso to section 197(1).</li> <li>• Approval of banks/public financial institutions/non-convertible debenture holders/secured creditors is required to be obtained in case of default before obtaining the approval of members in the general meeting.</li> <li>• If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without approval required under this section, he shall refund such sums to the company, within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company.</li> <li>• Further, other changes are clarificatory in nature, in light of the approval of the Central Government being done away with and disclosures required to be given by auditor in its report.</li> </ul>
198	<b>Calculation of profits</b>	<ul style="list-style-type: none"> <li>• For calculating net profit under this section the following shall not be deducted: <ul style="list-style-type: none"> <li>i) profits, by way of premium on shares or debentures of the company, which are issued or sold by the company unless the company is an investment company as referred to in</li> </ul> </li> </ul>

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<b>Section</b>	<b>Heading</b>	<b>Brief of amendment</b>
		<p>clause (a) of the Explanation to section 186.</p> <p>ii) any amount representing unrealised gains, notional gains or revaluation of assets</p> <ul style="list-style-type: none"> <li>Further any brought forward losses of the years prior to the commencement of the Act, 2013 shall be deducted while calculating net profit u/s 198.</li> </ul>
223	<b>Inspector's report</b>	A copy of report submitted by inspector under chapter XIV of the Act, 2013 may be availed by members and creditors of the company or by any other person whose interest is likely to be affected.
247	<b>Valuation by registered valuer</b>	Any person who has a direct or indirect interest or becomes so interested at any time during a period of three years prior to his appointment as valuer or three years after the valuation of assets was conducted by him shall not be appointed as valuer.
366	<b>Companies capable of being registered</b>	Pursuant to section 366 of the Act, 2013 any partnership firm, LLP, cooperative society or any other business entity ("the Converting Company") may be converted into company limited by shares, guarantee or unlimited company under the Act, 2013. Previously the Converting Company were required to have minimum 7 members for conversion under section 366 however, the same has been substituted with 2 or more members as the private company can be incorporated with 2 or more members.
379	<b>Application of Act to foreign companies</b>	<ul style="list-style-type: none"> <li>It is clarified that Sections 380 to 386 (both inclusive) and sections 392 and 393 shall apply to all foreign companies.</li> <li>Further, Central Government may exempt any class of foreign companies, specified in the Order, from any of the provisions the aforementioned sections.</li> <li>A copy of every such order shall, as soon as may be after it is made, be laid before both Houses of Parliament.</li> </ul>
384	<b>Applicability of section 135 to foreign companies</b>	Provisions of section 135 shall also apply to foreign companies, subject to such exceptions, modifications and adaptations as may be made therein by rules made under this Act, as they apply to a company incorporated in India.
391	<b>Application of sections 34 to 36 and Chapter XX</b>	Provisions of Chapter XX shall apply mutatis mutandis for closure of the place of business of a foreign company in India as if it were a company incorporated in India in case such foreign company has raised monies through offer or issue of securities under this Chapter which have not been repaid or redeemed, subject to the provisions of section 376.
403	<b>Fee for filing Etc.</b>	<ul style="list-style-type: none"> <li>Annual filing forms if filed beyond the period specified in those sections, it may be submitted, filed, registered or recorded, as the case may be, after expiry of the period so provided in those sections, on payment of such additional fee as may be prescribed, which shall not be less than one hundred rupees per day and different amounts may be prescribed for different</li> </ul>

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Section	Heading	Brief of amendment
		<p>classes of companies. Higher additional fee will be imposed in case of default on two or more occasions.</p> <ul style="list-style-type: none"> <li>Forms, other than annual filing forms, if filed beyond the period specified in those sections, it may be submitted, filed, registered or recorded, as the case may be, after expiry of the period so provided in those sections, on payment of fees as may be prescribed.</li> <li>It has been abundantly clarified that payment of additional fees will not condone the delay and that company and officers shall be liable for penalty or punishment for such failure or default.</li> </ul>
406	<b>Nidhi Companies</b>	Central Government to declare a company as 'Nidhi' or 'Mutual Benefit Society'.
441	<b>Compounding of certain offences</b>	Tribunal should have the power to compound offences punishable with fine as well as offences punishable with imprisonment or fine or both.
446B	<b>Lesser penalties for One Person Companies or Small companies</b>	New insertion with respect to an application of fines in case of non-compliance with certain provisions of the Act, 2013 specified therein by an OPC or small company.

### Clarificatory Amendments

Section	Headings	Amendments
2(28)	Cost Accountant	Cost accountant shall be as defined in clause (b) of sub-section (1) of Section 2 of the Cost and Works Accountants Act, 1959 and <b>who holds a valid certificate of practice under sub-section (1) of section 6 of that Act.</b>
2(49)	Interested Director	The definition of the term 'interested director' has been omitted, since the same is used in section 174(3) of the Act, 2013, explanation to which made reference to a director within the meaning of section 184(2).
47	Voting Rights	Second proviso to section 188(1) of the Act, 2013 restricts such member of the company to vote of any resolution placed before the members to which he is a related party under section 188. The change pertains to incorporating the restriction under section 188 for the party to the contract to abstain from voting.
78	Application for registration of charge	The change clarifies that in case the company fails to register a charge <b>within a period of 30 days</b> from the date of creation, the person in whose favor charge is created may apply to RoC for registration of the same.
117	Requirement to file MGT-14	The change removes the requirement to file resolution passed by shareholders under section 180(1) (a) and (c). However, the same being special resolutions, company is

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		still required to file the same under section 117(3)(a) of the Act, 2013.
130	Re-opening of accounts on court's or Tribunal's orders	<ul style="list-style-type: none"> <li>• In line with section 128(5), it is clarified that pursuant to section 130 of the Act, 2013, NCLT shall not order to re-open any books of account for financial year preceding 8 financial year unless any amendment has been made to section 128(5) whereby, the company is required to maintain the same for such longer period.</li> <li>• Further, NCLT may give notice and take into consideration the representations, if any of any other person other than statutory bodies as prescribed under section 130.</li> </ul>
141	Eligibility to be appointed as statutory auditor	Change clarifies that a person who, directly or indirectly, renders any service referred to in section 144 to the company or its holding company or its subsidiary company shall not be appointed as statutory auditor. Further, the term "directly or indirectly" shall have the meaning assigned to it in the Explanation to section 144.
148	Cost Audit	Term cost accountant in practice has been substituted by cost accountant as the same has been defined. Further Institute of Cost and Works Accountants of India has been changed with Institute of Cost Accountants of India,
194	Forward dealing in securities of company by directors or KMP	The change relates to omission of the provisions relating to prohibition on forward dealings in securities of the company by director or key manager personnel, as these are covered under SEBI Regulations.
195	Prohibition on insider trading of securities	The change relates to omission of provisions relating to insider trading already covered under the SEBI Regulations.
200	Company to fix the limit with regard to remuneration	In line with the changes made under section 197 of the Act, 2013 whereby requirement to obtain central government has been done away with, section 200 is not applicable on Central Government.
201	Forms of, and procedure in relation to, certain applications	In line with the amendments made under section 197 of the Act, 2013, term "this chapter' has been substituted with section 196, as the requirement to obtain central government's approval under section 197 has been removed.
236	Acquisition of minority shareholding	The change clarifies that the term transferor company means a company whose shares are being transferred.
374	Obligations of companies registering under chapter XXI	Change clarifies that upon conversion into company under Act, 2013, LLP registered under LLP Act, 2008 shall be deemed as dissolved.

**Amendments in penalties/ fine**

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<b>Section</b>	<b>To be imposed on</b>	<b>To be imposed for</b>	<b>Under Act, 2013</b>	<b>Amendment Act, 2017</b>
42	Company, promoters and directors	Contravention of section 42	Fine upto an amount involved under private placement or INR 2 crore, whichever is higher.	Amount involved under private placement or INR 2 crore, whichever is lower.
76A	Company	Contravention of provisions or timelines section 73 or 76 or rule thereunder	In addition of payment of amount of deposit, fine not less than INR 1 crore which may be extended upto INR 10 crore	In addition of payment of amount of deposit, fine not less than INR 1 crore or twice the amount of deposit accepted by the company, whichever is lower.
76A	Officer in default	Contravention of provisions or timelines section 73 or 76 or rule thereunder	<ul style="list-style-type: none"> <li>• Imprisonment upto 7 years</li> <li>• Fine not less than INR 25 lakhs which may extend upto INR 2 crore</li> <li>• Both</li> </ul>	Imprisonment upto 7 years and fine which shall not be less than INR 25 Lakhs.
117	Company	Failure to file resolution or agreements under section 117(1)	Fine not less than INR 5 Lakhs which may extend upto INR 25 Lakh	Fine not less than INR 1 Lakhs which may extend upto INR 25 Lakh
117	Officer in default (including liquidator)	Failure to file resolution or agreements under section 117(1)	Fine not less than INR 1 Lakhs but which may extend upto INR 5 Lakhs.	Fine not less than INR 50,000 but which may extend upto INR 5 Lakhs
140	Statutory Auditor	Not complying with section 140(2) while resigning.	Fine of INR 50,000 but which may extend upto INR 5 Lakhs.	Fine of INR 50,000 or the remuneration of the auditor, whichever is less.
147	Auditor	Contravention of provisions of section 139, 143, 144 and 145	Fine not less than INR 25,000 but which may extend upto INR 5 Lakhs	Fine not less than INR 25,000 but which may extend upto INR 5 Lakhs or 4 time the remuneration of auditor, whichever is less.
147	Auditor	Contravention is with the intention to deceive the company or its shareholders or creditors or tax authorities	Imprisonment which may extend to 1 year and fine which shall not be less than INR 1 Lakh but which may extend upto INR 25 Lakh.	Imprisonment which may extend to 1 year and fine which shall not be less than INR 50,000 but which may extend upto INR 25 Lakh or 8 times the remuneration of auditor, whichever is less.
147	Auditor	In case of criminal liability of an audit firm	New insertion	In respect of liability other than fine, the concerned partner or partners, who acted in a fraudulent manner or abetted or, as the case may be, colluded in any fraud shall only be liable.



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184	Director	Contravention of 184(1) or (2)	<ul style="list-style-type: none"> <li>• Imprisonment upto 1 year</li> <li>• Fine of INR 5,000 which may extend upto INR 1 lakh</li> <li>• Both</li> </ul>	<ul style="list-style-type: none"> <li>• Imprisonment upto 1 year</li> <li>• Fine upto INR 1 lakh</li> <li>• both</li> </ul>
447	Any person guilty of such fraud	Punishment of fraud which involves an amount less than ten lakh rupees or one per cent. of the turnover of the company, whichever is lower, and does not involve public interest	<ul style="list-style-type: none"> <li>• Imprisonment for a term which shall not be less than six months but which may extend to ten years</li> <li>• Fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Imprisonment for a term which may extend to five years</li> <li>• Fine which may extend to twenty lakh rupees</li> <li>• or both.</li> </ul>
447	Any person guilty of such fraud	In other cases		
<p>Note: Reference to section 403 has been removed from sections 157, 121, 117, 89, 92, 121 and 137 in line with the amendment carried out under section 403.</p>				

**Amendments with respect to statutory bodies**

Section	Heading	Amendments
216	Investigation of ownership of company	Inspector appointed by central government under section 216 shall also report about the person(s) who have or had beneficial interest in shares of a company or who are or have been beneficial owners or significant beneficial owner of a company.
409	Qualification of President and Members of NCLT	Changes are made in eligibility criteria for appointment of a person as member or President of NCLT.
410	Appeal against the order of NFRA	The change provides that appeal against the orders of National Financial Reporting Authority ("NFRA") shall also be heard by the NCLAT.
411	Qualification of President and Members of NCLAT	Changes are made in eligibility criteria for appointment of a person as member or Chairperson of NCLAT.
412	Selection of members of the Tribunal and Appellate Tribunal	The Members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on the recommendation of a Selection Committee consisting of

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		members as prescribed under section 412(2)
435	Establishment of special courts	Change in the constitution of special court.
438	Application of Code to proceedings before Special Court.	The change is clarificatory in nature, in light of the amendments made in section 435.
439	Offences to be non-cognizable	The change provides for complaints to be filed by a person who is a member of a company without any share capital.
440	Transitional provisions.	The change is clarificatory in nature, in light of the amendments made in section 435.
446A	Factors for determining level of punishment	Factors which shall be considered by court or the Special Court, while deciding the fine or imprisonment under the Act has been laid down.