

Mandatory demat for private companies: Highlights of the 27th October notification

Who all are covered?

All private companies, except small companies.
Note: public unlisted companies were already covered by Rule 9A

Small companies (based on share capital \leq Rs 4 crores AND turnover \leq Rs 40 crores) as on 31st March, 23 excluded. Govt companies also excluded

By when?

18 months from 31st March, 23 (or subsequent year-end when company ceases to be small co).

Therefore, 30th Sept., 2024 for all companies currently not being small companies

Implications

Some 13.5 lakh private cos, excluding small cos to have compliance burden. Not just one time – half yearly filing

Annual costs of having DP accounts; PAN or ID proof

What needs to be done?

Mandatory dematerialisation of securities of directors, promoters, KMPs.

Further issue of securities only in demat form

Transfer and subscription to further shares by existing holders only in demat format

Mandatory half yearly filing of Form PAS 6 reconciling physical and demat shares

What if a company is non compliant?

Amounts to a breach of sec. 29

No specific penalty laid; hence, general penalty section 450 will apply. Monetary penalty of Rs 10000 for each offence, and Rs 1000 per day for continuing offence

Are these also covered?

Wholly owned subsidiaries

Foreign shareholders

Companies without share capital – say, clubs, industry associations?