



GOVERNMENT INITIATIVES TO COMBAT CORONAVIRUS

COMPANY LAW



BACKGROUND

In view of the increasing difficulties faced by the corporate world on account of virtual shut-down of activities due to outbreak of Covid-19; Finance Minister Nirmala Sitharaman has announced various measures with the intention of giving relief and relaxations in respect of statutory and procedural compliances.

This bulletin covers the steps taken by the Government in relation to the Companies Act, 2013 and Limited Liability Partnership Act, 2008 (the "Act").

March 24th, 2020
Mumbai

KEY HIGHLIGHTS

- ◆ Applicability of recently announced Companies (Auditor's Report) Order, 2020 is deferred by one year, i.e. from FY 2019-20 to FY 2020-21. This is a huge relief for company as well as auditors especially considering the significant additional reporting introduced at the fag-end of the financial year 2019-20.
- ◆ Relaxations in relation to directors and holding of board meetings
 - Mandatory requirement of holding board meeting within prescribed interval of 120 days is extended by 60 days for two quarters, i.e. quarter ended 30th June 2020 and 30th September 2020. Similar relaxation is already given by SEBI to listed companies.
 - There will not be any non-compliance if independent directors do not hold a meeting during the year without the attendance of non-independent directors and members of the management in FY 2019-20.
 - Mandatory requirement that at-least one director of the Company is required to have physical presence in India of at-least 182 days is relaxed for FY 2019-20.
- ◆ Time limit for creating deposit reserve of 20% of public deposits maturing during FY 2020-21 and investing 15% of debentures maturing during FY 2020-21 in specified instruments have been extended from 30th April 2020 to 30th June 2020. This will reduce stress on liquidity position of such companies.
- ◆ For newly incorporated companies, time limit for submitting declaration for commencement of business within six months from incorporation has been extended by additional six months.
- ◆ No additional fees would be levied on companies/LLPs for late filings in respect of any documents, return or statement filed in MCA during the moratorium period starting from 1st April 2020 to 30th September 2020. This waiver is also for existing non-compliant companies/LLP.

Though much more needs to be done, the above steps are in the right direction and would be beneficial to companies and LLPs.

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