

Amendments by MCA on 9th April 2015 and 10th April 2015

A. MCA vide Circular No. 06 dated 9th March 2015 provided clarification under sub-section (7) of section 186 of the Companies Act, 2013.

- Stakeholders requested for clarification w.r.t. section 186(7) of the Companies Act, 2013 that whether in cases where the effective yield (effective rate of return) on tax free bonds is greater than the yield on prevailing bank rate, will involve the violation of provisions of the Companies Act, 2013.
- The Ministry clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, there is no violation of sub-section (7) of section 186 of the Companies Act, 2013.

Link: http://www.mca.gov.in/Ministry/pdf/General_Circular_06_2015.pdf

B. MCA vide Circular No. 07 dated 10th March 2015 provided clarification with regard to payment of Remuneration to managerial person under Schedule XIII of the Companies Act, 1956.

- Stakeholders drew attention to the provisions of Schedule XIII (sixth proviso to Para (C) of Section II of Part II) of the Companies Act, 1956 (Earlier Act) and as clarified vide Circular number 14/11 /2012-CL-VII dated 16th August, 2012, which allowed listed companies and their subsidiaries to pay remuneration, without approval of Central Government, in excess of limits specified in para II Para (C) of such Schedule if the managerial person met the conditions specified therein. Stakeholders have expressed that since similar provisions are not available in the Schedule V of the Companies Act, 2013, there is a need for a clarification that a managerial person appointed in accordance with such provision of Schedule XIII of Earlier Act may receive relevant remuneration for the period as approved by the company in accordance with such provisions of Earlier Act.
- The Ministry clarified that a managerial person referred to in para 1 above may continue to receive remuneration for his remaining term in accordance with terms and conditions approved by company as per relevant provisions of Schedule XIII of earlier Act even if the part of his/her tenure falls after 1st April, 2014.

Link: http://www.mca.gov.in/Ministry/pdf/General_Circular_7-2015.pdf