

AMENDMENT IN COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2020

Ministry of Corporate Affairs vide its notification¹ dated January 3, 2020 has amended the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, which, inter-alia, have been briefed below:

I. EFFECTIVE DATE

They shall come into force from the financial year commencing on or after 1st April, 2020.

II. AMENDMENTS

(i) Rule 8A of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

By way of amendment Rule 8A shall be substituted by following:

“Every private company which has a paid up share capital of ten crore rupees or more shall have a whole-time company secretary.”

Effect – A requirement for a Company having a paid up share capital of five crore rupees or more shall have a whole-time company secretary is done away. It has been substituted with a provision by increasing the limit from five crore rupees to ten crore rupees.

(ii) Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

By way of amendment Rule 9(1)(c) shall be inserted, namely:

“Every Company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more.”

Effect – Every Company mentioned hereunder shall annex with its Board’s report, a Secretarial Audit Report, given by a company secretary in practice, in Form MR 3:

- a. every public company having a paid-up share capital of fifty crore rupees or more; or
- b. every public company having a turnover of two hundred fifty crore rupees or more; or
- c. every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more.

It means a Private Company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more shall conduct Secretarial Audit for its Company by a Company Secretary in Practice.

(iii) Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

By way of amendment following explanation shall be inserted after Rule 9(2), namely:

“Explanation:- For the purposes of this sub-rule, it is hereby clarified that the paid up share capital, turnover, or outstanding loans or borrowings as the case may be, existing on the last date of latest audited financial statement shall be taken into account.”

Effect – For the purpose of determining whether a Company falls under the criteria laid under Rule 9, paid up share capital, turnover, or outstanding loans or borrowings existing as on the last date of latest audited financial statement shall be taken into account.

For the detailed reading of original notification you may click on the below given hyperlink:

¹ http://mca.gov.in/Ministry/pdf/AmdtRules_06012020.pdf

Suggestions may be sent to rupesh@cacsindia.com

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