

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 2 – CLASSIFICATION OF COMPANIES

PAGE NO. 17 – NOMINATION BY THE SUBSCRIBER OR MEMBER OF ONE PERSON COMPANY

Last two Paras shall be substituted by the Following two Paras:

It may be noted that only a natural person who is an Indian citizen *whether resident in India or otherwise* —

- shall be eligible to incorporate a One Person Company;
- shall be a nominee for the sole member of a One Person Company.

Here, the term "resident in India" means a person who has stayed in India for a period of not less than *one hundred and twenty days* during the immediately preceding financial year.

PAGE NO. 19 – DEFINITION AND MEANING OF SMALL COMPANY

First Para shall be substituted by the Following Para:

The term 'small company' has been defined under **Section 2(85) of Companies Act, 2013.**

As per this, small company means a company, **other than a public company**, —

- (i) paid-up share capital of which does not exceed ***two crore rupees*** or such higher amount as may be prescribed which shall not be more than **ten crore rupees**; **and**
- (ii) turnover of which, as per profit and loss account for the immediately preceding financial year, does not exceed ***twenty crore rupees*** or such higher amount as may be prescribed which shall not be more than **one hundred crore rupees**:

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 3 – PROMOTION & FORMATION OF COMPANY

PAGE NO. 41 – APPLICATION FOR REGISTRATION OF GOODS AND SERVICE TAX IDENTIFICATION NUMBER (GSTIN), EMPLOYEES’ PROVIDENT FUND ORGANIZATION (EPFO) REGISTRATION, EMPLOYEES’ STATE INSURANCE CORPORATION (ESIC) REGISTRATION, PROFESSIONAL TAX REGISTRATION AND OPENING OF BANK ACCOUNT [RULE 38A]

Changes in heading and other Changes

Entire Amended Topic is as follows:

APPLICATION FOR REGISTRATION OF GOODS AND SERVICE TAX IDENTIFICATION NUMBER (GSTIN), EMPLOYEES’ PROVIDENT FUND ORGANIZATION (EPFO) REGISTRATION, EMPLOYEES’ STATE INSURANCE CORPORATION (ESIC) REGISTRATION, PROFESSIONAL TAX REGISTRATION, OPENING OF BANK ACCOUNT AND SHOPS & ESTABLISHMENT REGISTRATION [RULE 38A]

The application for incorporation of a company under Rule 38 shall be accompanied by e-form **AGILE-PRO-S (INC-35)**, containing an application for registration of the following numbers, namely:

- (a) GOODS AND SERVICE TAX IDENTIFICATION NUMBER (GSTIN);
- (b) EMPLOYEES’ PROVIDENT FUND ORGANIZATION (EPFO);
- (c) EMPLOYEES’ STATE INSURANCE CORPORATION (ESIC);
- (d) PROFESSIONAL TAX REGISTRATION;
- (e) OPENING OF BANK ACCOUNT; AND
- (f) SHOPS AND ESTABLISHMENT REGISTRATION.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 4 – MEMORANDUM & ARTICLES OF ASSOCIATION

PAGE NO. 59 – COMPULSORY CONVERSION OF ONE PERSON COMPANY INTO A PUBLIC COMPANY OR A PRIVATE COMPANY

Entire Topic shall be substituted by the following Topic:

Conversion of One Person Company into a Public Company or a Private Company

The One Person Company (OPC) shall alter its memorandum and articles by passing a resolution in accordance with sub-section (3) of section 122 of the Act to give effect to the conversion and to make necessary changes incidental thereto.

A One Person company may be converted into a Private or Public Company, other than a company registered under section 8 of the Act, after increasing the minimum number of members and directors to two or seven members and two or three directors, as the case may be, and maintaining the minimum paid-up capital as per the requirements of the Act for such class of company and by making due compliance of section 18 of the Act for conversion.

The company shall file an application in **e-Form No. INC-6** for its conversion into Private or Public Company, other than under section 8 of the Act, along with fees as provided in the Companies (Registration offices and fees) Rules, 2014 by attaching documents, namely:-

- (a) Altered MOA and AOA;
- (b) copy of resolution;
- (c) the list of proposed members and its directors along with consent;
- (d) list of creditors; and
- (e) the latest audited balance sheet and profit and loss account.

On being satisfied that the requirements stated herein have been complied with, the Registrar shall approve the form and issue the Certificate.

PAGE NO. 60 - VOLUNTARY CONVERSION OF OPC INTO A PUBLIC COMPANY OR A PRIVATE COMPANY

This Topic has been Omitted.

PAGE NO. 60 - CONVERSION OF PRIVATE COMPANY INTO ONE PERSON COMPANY (OPC)

Entire Topic shall be substituted by the following Topic:

Conversion of Private Company into One Person Company (OPC)

A private company, other than a company registered under section 8 (non-profit company) of the Act, may convert itself into one person company by passing a special resolution in the general meeting.

Before passing such resolution, the company shall obtain No objection in writing from members and creditors.

The private company shall file copy of the special resolution with the Registrar of Companies within thirty days from the date of passing such resolution in **Form No. MGT. 14**.

The company shall file an application in **Form No. INC.6** for its conversion into One Person Company along with fees as provided in the Companies (Registration offices and fees) Rules, 2014, by attaching the following documents, namely:—

- The directors of the company shall give a declaration by way of affidavit duly sworn in confirming that all members and creditors of the company have given their consent for conversion;
- the list of members and list of creditors;
- the latest Audited Balance Sheet and the Profit and Loss Account; and
- the copy of No Objection letter of secured creditors.

On being satisfied and complied with requirements stated herein the Registrar shall issue the Revised Certificate of Incorporation, mentioning that now it has become a One Person Company.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 7 – SHARE CAPITAL OF A COMPANY

PAGE NO. 108-109 - RIGHTS ISSUE OF SHARES [SECTION 62(1)(a)]

Substitution of Para 3 by the Following Para:

The Company must give notice, by sending *letter of offer*, to each of the equity shareholders, giving him option to take the shares offered to him by the company. *The notice so referred shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the offer.* The shareholder must be informed of the number of shares he has option to buy, giving him at least 15 *or such lesser number of days as may be prescribed, which shall not be less than 7 days*, and not more than 30 days, to decide. If the shareholder does not convey to the company his acceptance of the company's offer of further shares, he shall be deemed to have declined the offer.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 11 – DIVISIBLE PROFITS AND DIVIDENDS

PAGE NO. 173-174 – UNPAID AND UNCLAIMED DIVIDEND AND ITS PAYMENT
[SECTION124]

Substitution of Following New Last Para in place of existing Last Para:

If a company fails to comply with any of the requirements of this section, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of ten lakh rupees and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees.

COMPANY LAW – NEW SYLLABUS

(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 12 – ACCOUNTS

PAGE NO. 191 – MAINTENANCE OF BOOKS OF ACCOUNT IN ELECTRONIC FORM

Following New Para shall be added at the Last:

It may further be noted that for the financial year commencing **on or after the 1st day of April, 2022**, every company, which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

PAGE NO. 198-199 - CORPORATE SOCIAL RESPONSIBILITY (CSR) [SEC. 135]

Entire Topic shall be substituted by the following Topic:

CORPORATE SOCIAL RESPONSIBILITY (CSR) [SECTION 135]

This **new section** has made it mandatory for every company with specified criteria to contribute towards corporate social responsibility ('CSR'). Thus, every company, whether listed or unlisted which has a net worth of Rs. 500 crore or more or a turnover of Rs. 1,000 crore or more or net profit of Rs. 5 crore or more, during the immediately preceding financial year, shall constitute a Corporate Social Responsibility (CSR) Committee to, inter alia, formulate and monitor the CSR policy of the company.

It may be noted that CSR Committee shall comprise of three or more directors, out of which at least one director shall be an Independent Director. However where a company is not required to appoint Independent Director, it shall have in its CSR Committee any two or more directors.

It may further be noted that where the amount to be spent by a company under this Section does not exceed fifty lakh rupees, the aforesaid requirement for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

A company which satisfies any one of these limits shall, in every financial year, spend at least two per cent of the average '**net profits**' of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy, towards one or more CSR activities prescribed under Schedule VII to the Companies Act, 2013. ***Here, 'net profit' means Profit before Tax (PBT) calculated as per Section 198 and shall not include such sums as may be prescribed.***

It may be noted that if the company fails to spend such amount, the Board shall, in its report made under Section 134, specify the reasons for not spending the amount and, unless the unspent amount relates to any on-going project, transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

Any amount remaining unspent under this Section, pursuant to any on-going project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

It may further be noted that if the company spends an amount in excess of the requirements provided under this section, such company may set off such excess amount against the requirement to spend under this section for such number of succeeding financial years and in such manner, as may be prescribed.

If a company is in default in complying with the provisions of Section 135, the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

PAGE NO. 199-200 - ACTIVITIES WHICH MAY BE INCLUDED BY COMPANIES IN THEIR CORPORATE SOCIAL RESPONSIBILITY POLICIES [SCHEDULE VII OF COMPANIES ACT, 2013]

Following New Para shall be added at the Last:

It may be noted that spending of CSR Funds for **‘Setting up make-shift Hospitals and temporary COVID-Care Facilities’** is an eligible CSR activity under **Item Nos. (i) and (xii)**.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 14 – REGISTERS AND RETURNS

PAGE NO. 237 – ANNUAL RETURN [SECTION 92]

1. **Clause (c)** has been Omitted.

2. **In clause (j)**, the words “indicating their names, addresses, countries of incorporation, registration and percentage of shareholding held by them” has been Omitted.

3. **Following New Para shall be added at the Last (Second Para):**
However, One Person Company (OPC) and Small Company shall file the Annual Return in Form No. MGT-7A (Abridged Annual Return).

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 20 – GENERAL MEETINGS

PAGE NO. 296 – REGISTRATION OF CERTAIN RESOLUTIONS AND AGREEMENTS [SECTION 117]

Last Para of Clause (f) shall be replaced by the Following:

It may further be noted that the provisions of this clause shall not apply to a *Banking Company, Non-Banking Financial Company and Housing Finance Company*, in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under Section 179(3)(f) in the ordinary course of its business;

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 21 – APPOINTMENT & QUALIFICATION OF DIRECTORS

PAGE NO. 346 – REMUNERATION OF INDEPENDENT DIRECTOR

Following Para shall be added at the last of Topic:

It may be noted that if a company has no profits or its profits are inadequate, an independent director may receive remuneration, exclusive of any fees payable under sub-section (5) of Section 197, in accordance with the provisions of Schedule V.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 22 – MEETINGS OF BOARD & ITS POWERS

PAGE NO. 372 – MATTERS NOT TO BE DEALT IN A MEETING THROUGH VIDEO CONFERENCING OR OTHER AUDIO-VISUAL MEANS

The entire Topic [Rule 4] has been Omitted.

COMPANY LAW – NEW SYLLABUS
(AMENDMENTS FOR DECEMBER 2021 EXAM)

CHAPTER – 23 – APPOINTMENT & REMUNERATION OF KMP

PAGE NO. 426 – SECTION 197 OF COMPANIES ACT, 2013

Sub-section (3) of Section 197 shall be replaced by the following:

(3) Notwithstanding anything contained in sub-sections (1) and (2), but subject to the provisions of Schedule V, if, in any financial year, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any managing or whole-time director or manager **or any other non-executive director, including an independent director**, by way of remuneration any sum exclusive of any fees payable to directors under sub-section (5) hereunder except in accordance with the provisions of Schedule V.

PAGE NO. 429 – PART II OF SCHEDULE V TO THE COMPANIES ACT, 2013

The entire content of Page No. 429 shall be replaced by the Following:

Part II of Schedule V to the Companies Act, 2013

Section I - Remuneration by Companies having adequate Profits : A company having profits in a financial year may pay remuneration to its managerial person(s) **or other director(s) [Non-executive Director or Independent Director]** in accordance with the provisions of Section 197.

Section II - Remuneration by Companies having no profits or inadequate profits : Where in any financial year during the currency of tenure of a managerial person **or other director**, a company has no profits or its profits are inadequate, it, may pay remuneration to the managerial person or other director, **not exceeding the limits under (A) and (B) given below :**

(A)

(1)		(2)	(3)
S. No.	Where the effective capital (in Rupees) is	Limit of yearly remuneration payable shall not exceed (in Rupees) in case of a managerial person	Limit of yearly remuneration payable shall not exceed (in Rupees) in case of other director
(i)	Negative or less than 5 crores.	60 lakhs	12 Lakhs
(ii)	5 crores and above but less than 100 crores.	84 lakhs	17 Lakhs
(iii)	100 crores and above but less than 250 crores.	120 lakhs	24 Lakhs
(iv)	250 crores and above.	120 lakhs plus 0.01% of the effective capital in excess of Rs.250 crores	24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores

It may be noted that the remuneration in excess of above limits may be paid, if the resolution passed by the shareholders is a special resolution.

It may further be noted that in case of part of a year, the aforesaid limits shall be pro-rated.

(B) In case of a managerial person or other director who is functioning in a professional capacity, *remuneration as per item (A) may be paid*, if such managerial person or other director is not having any interest in the capital of the company or its holding company or any of its subsidiaries directly or indirectly or through any other **statutory structures** and not having any direct or indirect interest or related to the directors or promoters of the company or its holding company or any of its subsidiaries at any time during the last two years before or on or after the date of appointment and possesses graduate level qualification with expertise and specialised knowledge in the field in which the company operates.

It may be noted that any employee of a company holding shares of the company not exceeding 0.5% of its paid up share capital under any scheme formulated for allotment of shares to such employees including Employees Stock Option Plan or by way of qualification shall be deemed to be a person not having any interest in the capital of the company.

Here, ‘**Statutory Structure**’ means any entity which is entitled to hold shares in any company formed under any statute.

PAGE NO. 431 – SECTION III OF PART II OF SCHEDULE V TO THE COMPANIES ACT, 2013

The entire Topic shall be replaced by the Following:

Section III - This Section of Part II of Schedule V prescribes certain special circumstances where a company may pay remuneration to a managerial person *or other director* in excess of the amounts prescribed in Section II of Part II of Schedule V.