

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1004
ANSWERED ON 12.12.2023

Safeguard measures for firms

1004 Shri S. Selvaganabathy:

Will the Minister of Corporate Affairs be pleased to state:

- (a) whether Government has implemented any safeguard measures for firms that unknowingly conduct business with the shell companies;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether Government has taken any steps to generate awareness among companies against conducting business with shell companies; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS

(RAO INDERJIT SINGH)

(a) & (b) : The term “Shell Company” is not defined under the Companies Act, 2013. However, in terms of Section 248 (1) of the Companies Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016, the Registrar of Companies may remove the name of a company if it fails to commence its business within one year of its incorporation; or it is not carrying on any business or operation for a period of two immediately preceding financial years (has not filed their Financial Statements and Annual Returns for a continuous period of two immediately preceding financial year) and has not made any application within such period for obtaining the status of a dormant company. The Registrar of Companies removes name after following the due procedure given in the Rules. A number of 1,55,217 companies have been struck off under section 248 (1) of the Companies Act, 2013 from 1.4.2021 to 28.11.2023.

(c) & (d) : For the purpose of creating safeguard measures with regard to the transaction with such struck off companies, the Government has amended Schedule – III to the Companies Act, 2013 vide Gazette Notification No. G.S.R. 207 (E) dated 24.3.2021 read as under :-

Relationship with struck off companies (applicable to both DIV-I & DIV-II entities).

Where the company has any transactions with companies ruck off under Section 248 of the Companies Act, 2013 or Section 560 of the Companies Act, 1956, the Company shall disclose the following details:-

Name of the Struck off company	Nature of transactions with struck off company	Balance outstanding	Relationship with the struck off company, if any, to be disclosed.
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		
