

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 2256
ANSWERED ON Monday, December 09, 2024
Agrahayana 18, 1946 (Saka)**

Strengthening Corporate Governance and Transparency

2256. Shri Sudhakar Singh:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

- (a) the steps taken/being taken by the Government to strengthen corporate governance and transparency in companies operating in the country, especially in the light of recent financial irregularities reported in certain firms;**
- (b) the number of cases of corporate fraud or non-compliance with the Companies Act, 2013, have been identified during the last three years along with the action taken against the violators;**
- (c) the measures being implemented to support startups and small businesses in complying with corporate regulations, particularly in States like Bihar; and**
- (d) whether there is any proposal to simplify the regulatory framework to promote ease of doing business while ensuring strict compliance with the law and if so, the details thereof?**

ANSWER

Minister of State in the Ministry of Corporate Affairs; Minister of State in the Ministry of Road Transport and Highways.

(Shri Harsh Malhotra)

(a): The Companies Act, 2013 (Act) and rules made thereunder contain adequate provisions for ensuring accountability and transparency in the management of companies. It provides for

accountability for management of companies through key managerial personnel, Board of directors and shareholders. The Act & Rules require companies to maintain books of account, various returns and registers etc in the prescribed form and keep them at their registered offices. Compliances with applicable accounting standards has also been mandated under the Act. The companies are also required to forward notices for the general meetings along with explanatory statements as well as other attachments for information and decision making by the shareholders. Annual financial statements are also required to be forwarded to shareholders. In addition, the companies are required to file various documents, copies of resolutions, returns etc with the Registrar. The disclosures in the Board's report including on risk management, financial statements and annual returns have also been mandated to ensure that every relevant information is available to the stakeholders as well as in the Registry.

In addition, Security and Exchange Board of India (SEBI) has notified, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), with respect to listed companies which specifies corporate governance and disclosure norms required to be complied with the entities listed on the recognized stock exchanges in India. The said regulations are amended from time to time by following due process including deliberations in advisory committee, public consultation, etc. in order to keep in pace with the evolving dynamics of the capital market in India.

(b): In the last 3 years, the number of cases filed for corporate frauds or non-compliance with the Companies Act, 2013 and the number of penalties adjudicated by the various RoCs are as under: -

	2021-22	2022-23	2023-24
Number of cases where prosecution is filed.	1774	1944	1509
Number of	527	615	1111

Adjudication of penalties done.			
--	--	--	--

(c): No state specific policies are adopted by the Ministry of Corporate Affairs (MCA). However, Ministry has taken several steps to support startups and small Business/Companies, such as requirement of cash flow statement to be part of financial statement made optional, abridged annual return prescribed for small companies, abridged Board Report prescribed for small companies, etc. Details of the steps taken are given at Annexure-A.

(d): To simplify regulatory framework and promote ease of doing business, Ministry has taken the following steps: -

- i. Decriminalization of 63 offences under the Companies and LLP Acts. While providing relief to corporates, one of the objectives of decriminalization has also been reduction of litigation burden in judicial courts and shifting the prosecution cases towards adjudication.**
- ii. Conversion of more than 54 forms to Straight Through Process (STP) which earlier required approval of field offices.**
- iii. Introducing e-Form SPICe+ along with a linked form called AGILE PRO-S for providing different services at one place such as Name Reservation, Incorporation, Allotment of PAN, TAN, DIN, EPFO Registration, ESIC Registration, GST number, opening of Bank Account etc. at the time of incorporation of company to start the business immediately. Similarly, new e-Form FiLLiP (Form for incorporation of Limited Liability Partnership) was introduced for providing the same services in a single application.**
- iv. Definition of Small Company has been amended by increasing the threshold limit of a small company from having a paid-up capital not exceeding Rs.2.00 Crore to Rs.4.00 Crore and turnover not exceeding Rs.20.00 Crore to Rs.40.00 Crore. Similarly, concept of small LLP has been introduced which is subject to lesser compliances, lesser fee to reduce the cost of compliances.**

- v. **Setting up of a Centralized Registrar of Companies (CRC) for incorporation to provide uniformity in the incorporation process.**
- vi. **Setting up of a Central Scrutiny Centre (CSC) for centralised scrutiny of e-Forms filed under STP.**
- vii. **Setting up a Central Processing Centre (CPC) for centralised processing of specified non-STP e-forms.**
- viii. **Setting up a Centre for Processing Accelerated Corporate Exit (C-PACE) for easy exit of companies.**
- ix. **Setting up an e-Adjudication Portal for adjudication of offences related to the Companies Act.**
- x. **Zero fee for incorporation of company with authorized capital up to Rs.15.00 Lakh.**
- xi. **Extended fast track process for mergers under the Companies Act, 2013 to include mergers of Startups with other Startups and with small companies, so that the process of mergers & amalgamations is expedited.**
- xii. **The scope of section 233 of CA-2013 (Fast Track Mergers & Amalgamation through approval of Regional Directors) enhanced. This now also covers merger of a transferor foreign company incorporated outside India (being a holding company) with its wholly owned subsidiary incorporated in India.**
- xiii. **Zero cost for shifting of the registered office of a company.**
- xiv. **Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 have been issued allowing Indian Public companies to list their equity shares on international stock exchange(s) at GIFT IFSC.**

ANNEXURE-A

Sr. No.	Section/Rule	Subject	Provisions in the Company Act, 2013 to support Startups and Small Businesses/Companies
1.	2 (40) proviso	Financial Statement	Requirement of cash flow statement to be part of financial statement made optional.
2.	92(1) Provisos.	Annual return	(i) Shall be signed by a company secretary or where is there is no company secretary by a Director of the company. (ii) Abridged annual return prescribed for small companies.
3.	92(1)(g)	Disclosure in annual return about remuneration of directors	Disclosure as to aggregate of amount of remuneration drawn by directors adequate for small companies.
4.	134(3A)	Board's Report	Abridged Board Report prescribed for small companies.
5.	139(2) read with rule 5 of Companies (Audit and Auditors) rules, 2014	Rotation of auditors	Rotation of auditors in small companies is not mandatory.
6.	141(3)(g)	Restriction on auditor-ships	Restriction w.r.t. maximum auditor-ships not applicable to auditors of small companies.
7.	143(3)(i)	Disclosure in Auditors report on internal financial controls	These disclosures are not applicable for small companies.
8.	173 (5)	Meetings of Board.	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of a small company, one board meeting

			in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act. (Notification no. 583(E) dated 13.06.2017).
9.	233	Merger through approval of RD	Mergers between two or more small companies or between one or more start-up company with one or more small company allowed through approval of RD.
10.	446B	Lesser penalties	Small companies are entitled for lesser penalties as per section 446B.
11.	Rule 8(12)(a) Companies (Registration offices and Fees) amendment Rules, 2014	Registration office and Fees	Small companies are exempted from requirements w.r.t. pre-certification of forms by professionals.
12.	Annexure- (Table of fees) Companies (Registration offices and Fees) amendment Rules, 2014	Fees	Lesser fees allowed for small companies.
13.	Clause 1(2)(iv) Companies (Auditor's Report) Order, 2020 (CARO 2020)	Auditor's Report	The CARO 2020 is not applicable on small companies
14.	Incorporation of small companies (Section 403	Filling fees	Zero fee is charged for incorporation of all companies with authorized capital up to Rs. 15 lakh or with up to 20

	of the Company Act 2013)		members where no share capital is applicable.
15.	rule 4 of Companies (Share Capital and Debentures) Rules, 2014	Differential voting Rights (DVRs)	Start-ups being private limited companies are free to issue equity shares with DVRs to raise capital without any restrictions.
16.	Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014	Deposits	Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But a start-up may accept deposits without any limit from its members for the period of ten years from the date of incorporation.
17.	Rule 2(1)(c)(xvii) of the Companies (Acceptance of Deposits) Rules, 2014	Convertible Note	Start-ups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit under Deposit Rules.
18.	Rule 8(4)(ii)(of Companies (Share Capital and Debenture) Rules, 2014	Sweat Equity	Unlisted companies may issue sweat equity shares to the extent of 25% of the paid up capital at any time, with other restrictions. But a start-up company may issue sweat equity shares not exceeding 50% of the paid up capital upto ten years from the date of its incorporation or registration.

19.	Rule12(1)(c) of Companies (Share Capital and Debenture) Rules, 2014	ESOPs	In general, Employee Stock Options (ESOPs) are not given to the employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the equity of the company. But in case of a start-up such condition shall not apply upto ten years from the date of incorporation.
20.	Section 2(40) of Companies Act, 2013	Cash Flow Statement	A private company which is a start-up /small companies are not required to include cash flow statement with financial statements which otherwise is a mandatory requirement.
21.	Notification no. 583(E) dated 13.06.2017	Signing of annual return	In case of start-up companies/small companies, the annual return shall be signed by the company secretary or where there is no company secretary, by the director of the company.
22.	Notification no. 583(E) dated 13.06.2017	Number of Board Meetings	Under the Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of a start-up companies/small companies one board meeting in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act.