



news flash

April 2015



MCA CLARIFIES APPLICABILITY OF COMPANIES (ACCEPTANCE OF DEPOSITS) RULES, 2014

The Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 provided that amounts received by private companies from their members, directors or relatives of directors were not to be treated as deposits.

Thereafter, pursuant to the notification of the Companies Act, 2013 (“**the Act**”) and the Companies Acceptance of Deposits Rules, 2014 (“**the Rules**”), various stakeholders sought clarifications from the Ministry of Corporate Affairs (“**MCA**”) on the applicability of the Act and Rules on amounts received by private companies from their members, directors and relatives of directors prior to April 1, 2014.

The MCA in consultation with the Reserve Bank of India has now clarified that:

1. Amounts received by private companies from their members, directors or relatives of directors prior to April 1, 2014 will not be treated as deposits under the Act and the Rules subject to the condition that the relevant private company shall disclose, in the notes to its financial statement for the financial year commencing on or after April 1, 2014, the figure of such amounts and the accounting head in which such amounts have been shown in the financial statement.
2. Any renewal or acceptance of fresh deposits on or after April 1, 2014 shall, however, be in accordance with the provisions of the Act and the Rules.

Our analysis:

The circular brings in much required clarity on the treatment of amounts received by private companies from their members, directors or relatives of directors prior to notification of the Act and the Rules.

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