

# MCA eases norms for Companies and LLPs amid Coronavirus outbreak

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As the number of positive Coronavirus cases continues to grow in India, the Indian Government announced a **'curfew-like' lockdown** for 21 days starting from 00:00 hours of March 25 2020. This lockdown will further disrupt the business continuity of all sectors as the entire nation comes to a standstill. To contain the spread of coronavirus and to enable Companies and LLPs in India to focus on necessary measures to address the Covid-19 threat, **MCA has granted relaxations to Companies and Limited Liability Partnerships (LLPs) from several statutory compliances under the Companies Act, 2013.** The ministry has also advised all companies and LLPs to **adopt 'work from home' policy** till March 31, as these organizations are major employers, especially in urban areas.

## Relaxations given by MCA to Companies and LLPs

In view of the Coronavirus outbreak, MCA has implemented the following measures to reduce the compliance burden of Companies and LLPs:

**Additional Fees waiver:** MCA will not charge any late fees for late filing of any document, return, statement etc. required to be filed in the MCA-21 Registry, irrespective of the due date during a moratorium period from April 1 to September 30, 2020. As per MCA, this will not only reduce the compliance burden, including the financial burden of companies and LLPs at large but also enable long-standing non-compliant companies/ LLPs to make a 'fresh start'.

**The time interval between two Board meetings extended:** MCA also relaxed the rules with respect to Board meetings of the companies. As per Companies Act 2013, a company has to hold a minimum of 4 board meetings every year with a maximum gap of 120 days between two consecutive board meetings. In the circular issued, MCA extended this time gap of 120 days by 60 days, thereby extending the interval limit between two consecutive board meetings to a maximum of 180 days. This one-time relaxation to Companies and LLPs is available for the next two quarters, i.e. up to September 30, 2020. MCA has taken this measure in light of social distancing measures recommended by the Government of India.

**Independent Directors meeting:** Schedule IV of the Companies Act, 2013 mandates the Independent Directors (ID) of a company to hold at least one meeting in a financial year without the attendance of non-independent directors and members of management. Considering the lockdown imposed in India

because of Coronavirus outbreak for the FY 2019-20, MCA clarified that if IDs of companies are not able to hold the mandated meeting, MCA will not view it as a violation of statutory provisions. However, MCA has recommended IDs to share their views amongst themselves through telephone or e-mail or any other communication, if they deem it to be necessary.

**CARO 2020:** In further relaxations, MCA has postponed the applicability of CARO 2020 to the FY 2020-21 from current FY 2019-20. Earlier, MCA had announced a new format of statutory audits of companies, namely Companies (Auditors Report) Order, 2020 for FY 2019-20. This came as a sigh of relief to companies and its auditors as they were supposed to deal with an additional 25 checks introduced under CARO 2020.

**The due date for deposits into the Repayment Reserve extended:** For companies having outstanding deposits, they are required to deposit at least 20% of the number of their deposits maturing during the following financial year, into a separate deposit repayment reserve on or before April 30 of every year. For deposits maturing in the FY 2020-21, the MCA has extended the due date for deposit into the repayment reserve to June 30, 2020.

**Resident Status of Director:** Every company in India is required to have at least one director who has stayed in India for a minimum period of 182 days during a financial year, as per Companies Act, 2013. Now, in the wake of coronavirus pandemic, MCA clarified that the ministry would not treat the non-fulfilment of the minimum stay as non-compliance for FY 2019-20.

**Declaration for the commencement of business:** A newly established company has to file a declaration for the commencement of new business (Form 20-A) within six months of its incorporation. In light of Covid-19 pandemic, MCA has extended the timeline for such compliances from 6 months to 1 year from the date of incorporation.

**The due date for deposit of debentures maturing March 31, 2020, extended:** Under rule 18 of the Companies (Share Capital & Debentures) Rules, 2014 all companies (other than all Indian financial institutions and banking companies) shall on or before April 30 invest or deposit a sum not less than 15% of the amount of their debentures maturing during the year, ending on March 31 of the next year. MCA has extended the due date of such investments/deposits to June 30, 2020.

## Take-Away

To contain the spread of Covid-19 outbreak, the Indian government announced a lockdown for 21 days starting from March 25, 2020. The lockdown has brought the entire nation to a standstill, and all economic activities are at a halt. In this present crisis like situation, MCA's circular granting relaxations to Companies and LLPs from several statutory compliances came as a huge relief to these entities. MCA intends to support and enable Companies and LLPs in India to focus on taking necessary measures to address the Covid-19 threat.

