

The logo for Corpbiz, featuring a stylized 'C' with a blue and orange gradient, followed by the word 'orpbiz' in a black sans-serif font. The logo is set within a white circular background.

Corpbiz

A close-up photograph of a wooden model of a classical building with columns and a pediment, set against a dark background. The model is made of light-colored wood and is positioned in the lower half of the image.

New Amendment makes centre's declaration mandatory for Nidhi companies.

New Amendment makes centre's declaration mandatory for Nidhi companies.

The Ministry of Corporate Affairs (MoCA) has amended Nidhi Rules, 2014. The new rules have made it mandatory for Nidhi companies to get a declaration from the central government. This step is taken to protect the interest of the public in general.

Earlier, Nidhi companies didn't require the central government's declaration to function. They only needed to fulfil the criteria set under sub-rule (1) of rule 5 of Nidhi Rules viz., minimum membership of 200, Net Owned Fund (NoF) of Rs 10 lakh, NOF to deposit ratio of 1:20 and keeping 10 per cent unencumbered deposits in scheduled commercial banks or post offices within one year of commencement of Nidhi Rules, 2014.

MoCA had set up a committee and welcomed recommendations to tackle the issues arising out of the Companies Act 2013. The committee suggested that the provisions of the companies act 1956 need to be re-introduced. The 1956 act required the Central government's approval for setting up a Nidhi/Mutual benefit company, as they delivered a centralised and sturdy regulatory framework for these entities.

To safeguard the general public's interest, this has now been made compulsory that a person who desires to become a member of Nidhi Company must ensure that the company has a valid declaration given to it by the central government. This rule has been incorporated into the Nidhi (amendment) Rule, 2022. For this, Section 406 of the companies act 2013 was amended. This amendment brought back the need to get the central government's declaration by a Nidhi company.

Under the new rules, the public company incorporated as a Nidhi with a share capital of Rs 10 Lakh must get it self-declared as Nidhi by the Central government. For this, the company must apply form NDH-4 with a minimum membership of 200 persons and a minimum Net owned Fund of Rs 20Lakh within 120 Days of its incorporation.

Further, it stated in the rules that in case there is no decision given by the government within 45 days of the receipt of the application, then it will be deemed that the approval has been given. However, this shall only be applicable to companies that have been incorporated after introducing the amendment rules of 2022.



Ganesh Nair
Legal Researcher
R&D Corpbiz