## SECTION 295:- LOAN To Directors

For giving loan to directors and their specified person Central Government approval is required.

**Specified Person: -** Some of specified person are enumerated hereunder

- **Directors.**
- **Partner of Directors.**
- **Firm in which a directors is a partner.**
- **Relative of a Director.**
- **Firm in which relative of a directors is partner.**
- **Private Company in which director is director.**
- **Private Company in which director is Member.**
- **Etc**

**Subsidiaries** are also prohibited from making loan to the specified person.

****If directors holding more than 25% in company**

**Approval /Exemptions:-**

**Approval** is required from **1) Board 2) Central Government.**

**Exemptions: -** Holding company can give loan to directors of Subsidiaries Company.

**Consequence of Defaults:- Directors Vacant the office automatically,**

**Fine up to 50,000,**

**6 months imprisonment.**

## SECTION 297: - CONTRACTS IN WHICH DIRECTORS ARE INTERESTED

Basically this section belong transaction between two companies whereas sections 295 consist individual. There are basically sales purchases transactions etc (not included services related) are included whereas section 295 covers only loan related transactions.

If transactions are in cash then it should be on prevailing market rate.

Contracts up to 5, 000 is required if truncations goes up.

**Transactions which were between two public companies are not attracted here.**

Specified person are same as per section 295.

**Approval only at Board. Central Government only approval where paid up share capital of company is 1 core or more.**

**NOT APPLICABLE: -**

On lease transactions of immovable property. Purchases sales contacts of employment of directors of MD and WTD.

**CONSIQUANCE OF DEFAULTS: -**

Contract is become void for board at approval.

Where Central government approval is required and it was not taken then it was void.

Company and every officer of company punishable with fine which may extended to rs 5000 where the defaults continuing 500 per day.

**SECTION 299: - DISCLOSURES OF DIRECTORS INTERESTED BY DIRECTORS**

Transaction covered under295,297 where as Directors hold more than 2% paid up capital of the company are required to be disclosed by himself.

If **Defaults** he should Vacant the office automatically.

**<u>SECTIONS 301:-</u>** Every company requires keeping the register where in details of the contracts to which the provisions of sections 297 and 299 apply.

Entity are required to made register within 7 days of the date of board meeting at which contracts was approved.

Thanks and regards

Giriraj Bhutra.