

MCA on 24th June 2014 has issued [Notice inviting Public Comments for the Draft Notification](#) for the Draft Notification under Section 462 of the Companies Act, 2013 for providing [various Exemptions to Private Limited Companies](#). Suggestions/Comments on the proposed draft notification may be addressed/sent latest by 1st July, 2014 through email at exemptions@mca.gov.in. It is requested that the name, Telephone number and address of the sender should be indicated at the time of sending suggestions/comments.

We have incorporated proposed changes and their effects these are as below.

Section	Exemption/Modification	Tentative Effect
Chapter IV Section 43 (Kind of Share Capital) Section 47 (Voting Right) (Both whole)	Shall not apply	Private Limited Companies now can issue equity shares with differential voting rights without complying the requirement of Rule No. 4 of Companies (Share Capital and Debenture) Rules, 2014, which require track record of distributable profit for last three years, authority in AOA and ordinary resolutions etc.
Chapter IV Section 62(1)(a) Section 62 (2) (Further issue of Share Capital)	Words " <i>not being less than fifteen days and not exceeding thirty days</i> " shall be substituted with " not being less than seven days and not exceeding fifteen days "	The time limit to renounce the right issue by existing equity shareholder has been reduced. Minimum time is proposed to reduced to 7 days from 15 days and maximum time is reduced to 15 days from 30 days.
Chapter IV Section 62(1)(b) (Further issue of Share Capital)	Shall apply except instead of ' special resolution ', " ordinary resolution " would be required.	As per section 62(1)(b) the company must offered shares to its employees under ESOP scheme at the time of allotment of shares, subject to special resolution. Now Ordinary resolution will be sufficient for Pvt. Limited Companies.
Chapter V Section 73(2)	Shall not apply to Private Companies-	As per sub section (2) of section 73 of the Act, Private limited Companies were

(Prohibition on acceptance of Deposits from Public)	- having 50 or less number of members if they accept monies from their member not exceeding 25% of aggregate of the paid up capital and free reserve or 100% of the paid up capital, whichever is more and -which inform the details of such monies to the Registrar of Companies in the prescribed manner	allowed to take deposit from its member only after complying strict procedure, including issue of circular, creating deposit insurance etc. Taking loan from their members will be hassle free for private companies covered in exemption limit.
Chapter VII, Section 101 (Notice of Meeting) Section 102 (Statement to be annexed to notice) Section 103 (Quorum for meeting) Section 104 (Chairman of meeting) Section 105 (Proxies) Section 106 (Restriction on Voting Right) Section 107 (Voting by show off hands) Section 109 (Demand for poll)	Shall apply unless -otherwise specified in respective sections or -unless articles of private company otherwise provide.	General meetings provisions from section 101 to section 107 and section 109 are proposed to be exempt for private limited companies.
Chapter X Sect. 141(3)(g)	Shall not apply in respect of appointment of	<i>Big relief to Chartered Accountant, now Chartered Accountant can be appointed as auditor in as many private Limited</i>

(Eligibility, Qualifications and Disqualifications of Auditor)	auditor by Private Companies	<i>Companies as they want.</i>
Chapter XI Section 160 (whole) (Right of persons other than retiring directors to stand for directorship)	Shall not apply	Now no need to submit candidature of a person to appoint him as director in general meeting.
Chapter XI Section 162 (whole) (Appointment of directors to be voted individually)	Shall not apply	Single motion in general meeting to appoint two or more person as director are allowed for private companies.
Chapter XII Section 180 (whole) (Restriction on Powers of Board)	Shall not apply to private companies having 50 or less members	Board of Directors of private companies having upto 50 members, now can exercise certain power (borrowing money, investing, selling or leasing undertakings of company) without obtaining consent of members by way of special resolution. Corresponding section of Companies Act 1956 is section 295.
Chapter XII, Section 185 (Loan to Directors)	Shall not apply to Private Companies – (a) Which have borrowings from banks or financial institutions or any bodies corporate not more than twice of their paid up share capital or Rs. 50 Core whichever is lower; and	Now a private limited company fulfilling the exemption criteria can advance loan to its director and any person in whom directors are interested.

	(b) in whose share capital no other body corporate has invested any money.	
Chapter XII Section 188 (Related Party Transaction)	Shall not apply	Now private companies can enter into contract with related parties in which directors are interested.
Chapter XIII Section 196(4) Section 196 (5) (Appointment of Managing Director, Whole Time Director or Manager)	Shall not apply	No need to take central government and shareholder approval for appointing and fixing terms and conditions and remuneration of MD, WTD or Manager by Pvt. Ltd. Companies.
Chapter XIII 203(3) (Appointment of Key Managerial Person)	Shall not apply	A whole time KMP of a private company can hold office in more than one company.

Download notice from following links;

1. http://mca.gov.in/Ministry/pdf/Draft_Notification_24062014.pdf
2. http://mca.gov.in/Ministry/pdf/Draft_Notification_24062014_1.pdf

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Note: Kindly note that the entire contents of this article have been developed on the basis of relevant statutory provisions and as per the information existing at the time of preparation i.e. Act, notification, clarifications & circular issued till 25th June 2014. Though we have made upmost efforts to provide authentic information, however we do not undertake any liability in any way whatsoever, to any person in respect of anything arising by reliance upon the content of this article