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| Declaration of Dividend at a rate higher than Rate proposed by Board?? | 1) Invalid<br>2) Power to Declare Dividend=Members<br>3) Member can declare dividend, if Proposed by Board<br>4) Rate of Dividend Declared <= Dividend Proposed<br>5) Regulation 80 contained in Table F of Schedule I of the Companies Act,2013 states that a Co. may in GM declare dividend but it cannot exceed amount recommended by Board.<br>6) Provision in Article authorizing members to declare dividend > Proposed = Void |
| Section 123 Condition for Declaration and Payment of Dividend | <u>**Sources of Dividend-Sec123(1)**</u><br><br>No Dividend shall be declared or paid by Co. for FY Except<br>1) CY Profit-Depreciation***** for that FY, or<br>2) PY's Profits-Depreciation***** remaining undistributed, or<br>3) Both, or<br>4) Money Provided by CG or SG in pursuance of Guarantee given by it.<br><br>***PROVIDED THAT*** company before declaring any dividend tfr such % of profits for that FY as it may consider appropriate to reserve.<br><br>***PROVIDED FURTHER THAT*** where owing to inadequacy or absence of profits in any FY, any co. proposes to declare dividend out accumulated profits earned by it in any PY and tfrd to reserve, such declaration of dividend shall not be made except in accordance with such rules as prescribed<br><br>**Note:** Where Co. does not transfer the profit to reserve, such profits of the PY can be used for the payment of dividend without fulfilling any condition i.e Second Proviso to Sec 123(1) shall not apply in such case.<br><br>**Note***<u>: Second Proviso shall not apply to a Government Co. in which entire PSC is held by CG/SG(s)/CG and SG(s) i.e. they can declare dividend out of reserves without complying with the prescribed rule</u>*.<br><br>**PROVIDED ALSO** No Dividend shall be paid out of reserves other than Free Reserves. |



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| | **PROVIDED ALSO** No co. shall declare dividend unless the carried forward previous losses and depreciation are set off against CY Profit.<br><br>**Section 123(2) *** Depreciation shall be provided in accordance with the provision of Schedule II<br>**Section 123(3)** The Board of Directors of a company may declare interim dividend during any financial year out of the<br>a) surplus in the profit and loss account and<br>b) out of profits of the financial year in which such interim dividend is sought to be declared<br><br>***PROVIDED THAT*** in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.<br><br>**Note:** Past Accumulated profits can be used for declaring dividend. However, profits tfrd to reserves cannot be used.<br>**Note**: If Interim Dividend has been declared even though profits were inadequate, the payment would amount to unauthorized reduction of share capital.<br>**Note**: Board may declare ID whether or not authorized by articles.<br><br>**Section 123(4)** The amount of the dividend, including interim dividend, shall be deposited in a scheduled bank in a separate account within five days from the date of declaration of such dividend.<br><br>***The requirement of depositing the amount in a separate bank account shall not apply to a Government Co. in which entire PSC is held by CG/SG(s)/CG and SG(s)***<br><br>**Section 123(5)** No dividend shall be paid by a company in respect of any share therein except to the registered shareholder of such share or to his order or to his banker and shall not be payable except in cash. |



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| | ***PROVIDED THAT*** capitalization of profits or reserves of a company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the company shall not be deemed to be a contravention of sec 123(5).<br><br>***PROVIDED FURTHER THAT*** that any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.<br>**Note:** Where shares are held in the depository form, the co shall pay the dividend to the beneficial owner whose name has been entered in the records of depository. |
| Section 124: Unpaid Dividend Account | **<u>Sec124(1)</u>**<br><br>1) Dividend Declared<br>2) Remains unpaid or unclaimed for next 30 days from date of declaration<br>3) Tfr to unpaid dividend account within 7 days of the expiry of said 30 days in a special account in scheduled bank.<br><br>**<u>Sec 124(2)</u>**<br><br>1) Co.>within 90 days of making tfr of amount u/s 124(1)<br>2) Prepare a statement containing names, last known addresses and amount of the unpaid to be paid to each person<br>3) Place it on the website of co (if any) or any other website as approved by CG, in such form and manner as prescribed.<br><br>**<u>Sec 124(3)</u>**<br><br>1) If Default is made in tfrng the amount required to be tfrd to Unpaid Dividend account, co shall pay interest<br>2) Rate- 12% P.A<br>3) Amount- So much of the amount as has not been transferred to said account.<br>4) Period-From the date of default.<br>5) Interest shall enure to the benefit of the members of the company in proportion to the amount remaining unpaid to them. |



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| | **Sec 124(4):** Any person claiming to be entitled to any money transferred under sub-section (1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed<br><br>**Sec 124(5)** Treatment of the dividend remaining unpaid in unpaid dividend account.<br><br>1) Any money tfrd to unpaid dividend account<br>2) Remains unpaid or claimed for 7 years from date of such transfer<br>3) Amt+Interest shall be tfrd by co. to IEPF.<br>4) Co>send>authority administering the fund>statement containing the details of such transfer>prescribed form(DIV.5)<br><br>**Sec 124(6)** Transfer of shares in the name of the fund.<br><br>1) Shares i.r.t which dividend has not been paid or claimed for 7 consecutive years<br>2) Tfrd in the name of IEPF<br>3) Date of tfrng>co>file>statement>containing details as prescribed<br>4) In case dividend has been paid for any year during 7 years, shares shall not be tfrd to IEPF.<br><br>***PROVIDED THAT*** any claimant of shares transferred above shall be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed.<br><br>**Sec 124(7)** Punishment for Contravention<br>If company fails to comply with the requirements of this section,<br><br>1) Co. shall be Punishable with Fine. Min-5 lac Max 25 Lac<br>2) Officer of the company in default punishable with Fine Min 1 Lac Max 5 lac |
| Section 125: Investor Education and | Fund Shall be created by CG<br>**Credits to Fund**<br>1) Amount given by CG by way of Grant<br>2) Donations by CG |



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| Protection Fund | 3) Amount in unpaid dividend account tfrd u/s 124(5)<br>4) Amount in the General Revenue account of CG<br>5) Amount under IEPF of COA 1956<br>6) Interest+Other Income received out of Investment of fund<br>7) Application Money, Matured Deposits, Matured Debentures, Redemption amount of Preference shares remaining unpaid for a period of 7 years<br>**Utilization of the Fund**<br>1) Refund of the amount tfrd to this fund<br>2) Promotion of awareness among investors<br>3) Educating and Protection of interest of investors<br>4) Legal Expenses incurred for the suit of the Investor<br>5) Any other purpose incidental thereto, in accordance with such rules as prescribed.<br>**Claims from the Fund** Any person claiming to be entitled to the amount may apply to the authority constituted for the payment of money claimed.<br>**Constitution of the Authority:**<br>CG>Notification>Constitute>Authority>Chairperson+Other Members not exceeding 7+CEO<br>**Administration of the Fund:** Appointment of Chairperson+ Members+ CEO and holding meetings in accordance with such rules as prescribed<br>**Resources to be Provided by CG** Such offices+ Officers+ Employees and Other Resources in accordance with rules<br>**Powers of the Authority:** Competent>Spend>money out of the funds>carrying objects of the fund.<br>**Audit of Accounts:** CAG>At such intervals as may be specified>Audited Accounts+ Audit Report> Forwarded annually by authority to CG<br>**Annual Report of the Activities of Authority**<br>1) Authority>Prepare Annual Report>Details of the Full account of activities during FY<br>2) Annual report shall be prepared in such form and within such time as may be prescribed.<br>3) Copy of Annual report shall be forwarded to CG<br>4) CG shall cause Annual report + Audit report to be laid before each House of Parliament. |



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| Section 126: Right to dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares | Where any instrument of transfer of shares has been delivered to any company for registration and the transfer of such shares has not been registered by the company, it shall, notwithstanding anything contained in any other provision of this act, —<br>(a) transfer the dividend in relation to such shares to the Unpaid Dividend Account referred to in section 124 unless the company is authorized by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and<br>(b) keep in abeyance in relation to such shares, any offer of rights shares or bonus shares |
| Section 127: Failure to Distribute Dividend within 30 Days | Company declared dividend but failed to pay the dividend or post dividend warrant within 30 days from the date of declaration of dividend.<br>**Penalty**<br>1) Director: Every director who is a party to contravention shall be punishable with Fine of Rs. 1000 for each day of default and imprisonment upto 2 years.<br>**2)** Company: Simple Interest @ 18% P.A for the period of default<br>**Exceptions**<br>In the following cases, no default has been deemed to have been committed even though dividend is not paid within 30 days of declaration of dividend.<br>(a) where the dividend could not be paid by reason of the operation of any law;<br>(b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;<br>(c) where there is a dispute regarding the right to receive the dividend;<br>(d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or<br>(e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company. |



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| Revocation of Dividend | 1) Revocation of Dividend is not possible as Sec 127 contains certain grounds where nonpayment of dividend within 30 days of declaration, does not results in penalty. Revocation is not a ground for the non-payment<br>**2) Exception:**<br>a) Dividend declared is ultravires the Co<br>b) Co. ceases to be a going concern |
| Declaration of Dividend out of Reserves- 2nd and 3rd Proviso to Sec 123(1) read with Companies (Declaration and Payment of Dividend Rules), 2014 | Conditions for Declaration of the Dividend out of Reserves where company has inadequate profits in a FY<br><br>1) Rate <= Rate at which dividend was declared during 3 yrs immediately preceeding CY<br>2) Amt Drawn from Reserves <= 1/10th (PSC+FR) as per latest audited FS<br>3) Amt so withdrawn shall be first utilized to set off losses of the CY in which dividend is declared.<br>4) Balance of Reserves after withdrawal >= 15% of PSC as per latest audited FS.<br><br>Condition 1 shall not apply where co. has not declared dividend in each of proceeding 3 FYs |

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