



NPV & ASSOCIATES

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BENEFITS AVAILABLE TO START-UPS UNDER ROC

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RELAXATIONS GRANTED UNDER THE COMPANY ACT, 2013 AND THE RULES THEREUNDER TO STARTUP COMPANIES

For the purposes of this Act, the term 'start-up' or "start-up company" means a private company incorporated under the Companies Act, 2013 (18 of 2013) or the Companies Act, 1956 (1 of 1956) and recognised as start-up in accordance with the notification issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry".

Provision	Relates to	Particulars	Explanation
Section No. 2(40)	Financial Statements	<p>"financial statement" in relation to a company, includes—</p> <p>(i) a balance sheet as at the end of the financial year;</p> <p>(ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;</p> <p>(iii) cash flow statement for the financial year;</p> <p>(iv) a statement of changes in <i>equity, if applicable</i>; and</p> <p>(v) any explanatory note <i>annexed</i> to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):</p> <p>Provided that the financial statement, with respect to one person company, small company, dormant company and <u>private company (if such private company is a start-up) may not include the cash flow statement;</u></p>	<p>This would mean that PWPL will not be required to prepare the statement of cashflows until the time it is recognized as a Startup under this act.</p>
Section 73(2)(a) to (e)	Acceptance of Deposits	<p>Following Provision will not apply to a Startup, for 5 Years from the date of its incorporation: [However, the Startup shall file the details of monies accepted to the Registrar in such manner as may be specified]:</p> <p><i>"A company may, subject to the passing of a resolution in general meeting and subject to such rules as may be prescribed in consultation with the Reserve Bank of India, accept deposits from its members on such terms and conditions, including the provision of security, if any, or for the repayment of such deposits with interest, as may be agreed upon between the company and its members, subject to the fulfilment of the following conditions, namely:—</i></p> <p>(a) <i>issuance of a circular to its members including therein a statement showing the financial position of the company, the credit rating obtained, the total number of depositors and the amount due towards deposits in respect of any previous deposits accepted by the company and such other particulars in such form and in such manner as may be prescribed;</i></p> <p>(b) <i>filing a copy of the circular along with such statement with the Registrar within thirty days before the date of issue of the circular;</i></p>	<p>This would mean that PWPL can now accept deposits from their members without having to fulfil conditions relating to deposits' acceptance under the Act and subject to them having filed necessary information as per the Act</p> <p>(Meaning of deposits - "deposit" includes any receipt of money by way of deposit or loan or in any other form, by a company)</p>

		<p><i>(c) depositing such sum which shall not be less than fifteen per cent. of the amount of its deposits maturing during a financial year and the financial year next following, and kept in a scheduled bank in a separate bank account to be called as deposit repayment reserve account;</i></p> <p><i>(d) providing such deposit insurance in such manner and to such extent as may be prescribed;</i></p> <p><i>(e) certifying that the company has not committed any default in the repayment of deposits accepted either before or after the commencement of this Act or payment of interest on such deposits”</i></p>	
Proviso to Section 92(1)	Annual Returns	<p>Following proviso shall will be effective in case of the provision:</p> <p>Section 92(1) - Every company shall prepare a return (hereinafter referred to as the annual return) in the prescribed form containing the particulars as they stood on the close of the financial year... and signed by a director and the company secretary, or where there is no company secretary, by a company secretary in practice:</p> <p>Provided that in relation to One Person Company, small company and private company (if such private company is a start-up), the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company."</p>	<p>Annual returns of a startup may either be signed by its company secretary or by a director (if no company secretary)</p> <p>[In case of PWPL, Rule 8A of the Companies Appointment and Remuneration of Managerial Personnel Rules, 2017 applies, which states that - A company other than a company covered under rule 8 (Listed and Public Companies) which has a paid up share capital of five crore rupees or more shall have a whole-time company secretary.]</p>
Section 143(3)(i)	Report on Internal Financial Controls by Auditor	<p>The below shall not apply to a private company:</p> <ul style="list-style-type: none"> i) which is a one person company or a small company OR ii) which has turnover less than rupees fifty crores as per latest audited financial statement or which has aggregate borrowings from banks or financial institutions or any body corporate at any point of time during the financial year less than rupees twenty five crore <p><i>“Section 143(3)(i) - The auditor’s report shall also state:-</i> <i>(i) whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls”</i></p>	<p>The Auditor’s of PWPL shall not be required to submit a report on its Internal Financial Controls, provided it fulfils the conditions mentioned</p>

<p>Section 173(5)</p>	<p>Board meetings</p>	<p><i>A One Person Company, small company, dormant company and a private company (if such private company is a start-up) shall be deemed to have complied with the provisions of this section if at least one meeting of the Board of Directors has been conducted in each half of a calendar year and the gap between the two meetings is not less than ninety days:</i></p>	<p>Startups to hold at least one board meeting (instead of quarterly board meetings) in each half of a calendar year (previously permitted only for OPCs and small companies) with a minimum gap of 90 days between two board meetings.</p>
<p>Section 174(3)</p>	<p>Interested directors</p>	<p><i>Where at any time the number of interested directors exceeds or is equal to two thirds of the total strength of the Board of Directors, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.</i></p> <p><i>In case of Private Company - Sub-Section (3) of Section 174 shall apply with the exception that the interested director may also be counted towards quorum in such meeting after disclosure of his interest pursuant to section 184.</i></p>	<p>An 'interested' director can now be counted towards the quorum for board meetings (which was not the case earlier), provided that the 'interested' director discloses his/her interest to the board.</p>