



Burden on Companies Eased

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Why in News

The Ministry of Corporate Affairs has made a series of announcements to ease the burden of companies during the **COVID-19** outbreak.

Announcements

- Increase in the threshold for initiation of corporate insolvency from **Rs 1 lakh to Rs 1 crore**.
 - This would **prevent small businesses** from being **dragged into insolvency** (inability to pay debts when they are due).
 - This would also ease the compliance burden on companies during the coronavirus outbreak.
- A **suspension on mandatory filings** with the **Corporate Affairs Ministry's MCA-21 portal**, also additional fees for late filing has been removed.
- A **60 day relaxation** in the rule requiring that **board meetings** be held once every 120 days for the next two quarters.
- The companies would also be exempt from the requirement under the **Companies Act** that **at least one director** be in residency in the country for at least 182 days in the year.

Insolvency and Bankruptcy Code, 2016

- In India, the Insolvency and Bankruptcy Code, 2016 is a step towards settling the legal position with respect to **financial failures and insolvency**.
- It provides easy exit with a painless mechanism in cases of insolvency of individuals as well as companies.

Applicability of the Code

- The provisions of the Code shall apply for **insolvency, liquidation, voluntary liquidation or bankruptcy of the following entities :**
 - Any company incorporated under the Companies Act, 2013 or under any previous law.
 - Any other company governed by any special act for the time being in force, except in so far as the said provision is inconsistent with the provisions of such Special Act.
 - Any Limited Liability Partnership under the LLP Act 2008.
 - Any other body being incorporated under any other law for the time being in force, as specified by the Central Government in this regard.
- Moreover, this code shall apply only if the **minimum amount of the default is Rs. 1 lakh.**
- However, by placing the notification in the Official Gazette, the Central Government may specify the minimum amount of default of higher value which **shall not be more than Rs. 1 crore.**
- **Exceptions:** There is an exception to the applicability of the Code that it shall not apply to corporate persons who are regulated financial service providers such as Banks, Financial Institutions and Insurance companies.

MCA21

- MCA21 is an e-Governance initiative of the **Ministry of Corporate Affairs (MCA),** Government of India.
- It enables an **easy and secure access of the MCA services** to the corporate entities, professionals and citizens of India.
- The application is designed to fully **automate all processes** related to the proactive enforcement and compliance of the legal requirements under **the Companies Act, 1956, New Companies Act, 2013 and Limited Liability Partnership Act, 2008.**
- This will help the business community to **meet their statutory obligations.**

Source: IE