

THE GANDHIDHAM CHAMBER OF COMMERCE & INDUSTRY

(ESTD. 1953)

"CHAMBER BHAVAN", Plot No. 71, Sector 8, Post Box No. 58,
GANDHIDHAM - Kachchh - 370 201.

Phone : +91-02836-220977, 220735 • Mobile : 99250 37814 • Fax : 220888

e-mail : info@gccikandla.com • Website : www.gccikandla.com

No. GCCI / 260

14
Date: 20.07.2018

To,
The Director,
Ministry of Corporate Affairs,
New Delhi

Sub: Difficulties faced by companies under new companies act, 2013

Dear Sir,

The Gandhidham Chamber of Commerce & Industry is a pioneer organisation of Kandla – Gandhidham complex in Kachchh District of Gujarat State in India since 1953 with the main objective to serve as a bridge between local trade and industry fraternity and State / Central Govt. for the resolution of problems and to cater supportive service to business community.

With reference to the above subject, we would like to bring to your notice that our member companies to whom CSR provisions were applicable for F.Y. 2014-15 are facing difficulties as the respective ROC's have filed a Criminal complaint against them with the Special courts for non-compliance of the said provisions. Further since the said provisions were applicable from 01.04.2014 being the first year of applicability of new companies Act, 2013, most of the companies were not aware about the applicability of CSR provisions & also about the compliances to be made under the said act. Due to unawareness about the developments in companies Act, 2013, certain companies have also failed to fulfil their CSR commitments resulting to prosecutions initiated by the Special Courts now.

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Further we would like to state that CSR provisions under the companies Act cannot be same for different class of Companies. There should be some relaxation for private limited companies as well as Small companies because such companies are not completely aware of the provisions of the act & also they need to run their businesses with least compliances. These are the reasons they prefer to form the private limited companies. Further we would like to state that most of the cases filed by the ROC's are against the private limited companies for non-compliance of CSR provisions. There should be some relaxation being given to private limited companies for such non-compliances taking into consideration the first year of applicability of provisions as well as unawareness among the stakeholders.

We would further like to emphasize that the non-compliance of CSR provisions should not lead the companies or its directors to criminal proceedings as mentioned in the Companies Act, 2013. Also directors of big corporates are facing the issues of appearing on each & every hearing being conducted in the court leading to less time being devoted to their businesses. Our member companies are aware about the responsibility towards the society & are always in support of Government Initiative of Corporate Social Responsibility policies as well as investing to achieve the growth of all the related stakeholders.

We would further like to suggest that since the government initiative is to reduce the minor litigations & to further save the time of courts as well as the corporates involved in these matters, the ministry should look into the matter & issue the guidelines to allow the companies who have non-complied with the provisions of the act to come out of the prosecutions by making good the compliance. We would like to state that the only reason behind non-compliance of these provisions has been lack of awareness among the different stakeholders of the company. It seems that the intention of the government is also to reduce the litigations to the least possible in corporate affairs cases & this was the reason behind bringing the "Condonation of Delay Scheme 2018" dated 29.12.2017 which was applicable to companies who failed to file their Annual Returns or Annual Financial Statements for the consecutive three years leading to disqualifications of their

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directors. Such schemes are brought by the ministry to reduce the issues faces by the Industry at whole. We further suggest the ministry to take some necessary steps in these CSR matters which could reduce the issues being faced by the small companies as well as private limited companies.

We had also received suggestions from our members that the amounts paid under Corporate Social Responsibility should be allowed as business expenditure under the relevant Income Tax Provisions. This will also boost the contributions made by the companies towards their Corporate Social responsibilities & would eventually helpful to the government in achieving its goals of CSR.

We would highly appreciate the ministry for taking few quick actions in this matter to reduce the litigations faced by the companies & to save the time of both the parties by concluding the matters which are pending in the Special Courts.

Thanking you.

Yours faithfully,

13.13.18

Babubhai Humbal

President

Copy to: President,
Gujarat Chamber of Commerce
& Industry, Ahmedabad

With a request to take up the subject matter with concern at the earliest.