

## **Govt relaxes norms pertaining to related party transactions for private companies**

As part of its strategy to make it easier to do business in the country, the government has relaxed norms pertaining to related party transactions, accepting deposits and appointing auditors in private companies.

Various norms have also been eased for government-owned companies, nidhi and not-for-profit companies covered under Section 8 of the Companies Act.

The corporate affairs ministry on Friday issued four separate notifications relaxing the norms for the four categories of companies. The notifications have introduced as many as 16 changes or clarifications related to private companies and around 30 for government companies.

In a significant move, the ministry has said that Section 188 of the Act, which deals with related party transactions, would not be applicable to private companies.

Section 188 requires a company to get consent from its Board of directors before entering into a related-party transaction even for activities such as sale, purchase or supply of any goods or materials and leasing of property.

With regard to rules for accepting deposits, the ministry has said that it would not be applicable on a private entity which accepts from its members monies not exceeding 100 per cent of aggregate of the paid-up share capital and free reserves.

However, such companies should file the details of amount accepted to the Registrar.

Other norms, including those related to requirements for appointment of auditors, giving loans to directors, providing loans for purchase of a private company's shares, standing for directorship and issue of share capital, have also been eased.

With respect to government companies, the ministry has made close to 30 changes related to various requirements. These pertain to Board evaluation, appointment of directors and conduct of annual general meetings (AGMs).

The norms for Board evaluation, as mentioned in the Act, would not be applicable in case directors are evaluated by the ministry or department of the Central government, which is administratively in charge of the company or the state government, as per its own evaluation methodology.

Similarly, changes have been made for not-for-profit and Nidhi companies-those which have been set up with the aim of cultivating thrift and savings habit amongst its members.

The ministry has already made a slew of changes to the **Companies Act, 2013**, most of the provisions of which came into effect from April 1, 2014, amid concerns raised from various from industrialists and business houses.

*(Business Today)*