New Bill Empowers Government with Sweeping Powers to Regulate Societies

Having failed to locate 25 lakh out of the 32 lakh societies registered under the archaic Society Registration Act of 1860, the central government now plans to empower itself to take over, suspend, penalise, confiscate, cancel, impose financial and penal penalties, and investigate any and every society or its properties that operates in multiple states. In order to do so, it has just floated the draft of ‘Multistate Societies Registration Bill, 2012’.

Once this Bill becomes a law, all societies, either registered under the old law, or the new ones, will have to mandatorily register themselves in accordance with the stringent provisions of the proposed law. Also, all such societies will have to file annual reports, balance sheet and details of office bearers among others with MCA-21 of the ministry of corporate affairs as the Bill proposes to treat all multi-state societies as corporate bodies. The proposed Bill will also strengthen the inflow of funds to such societies including those received from overseas.

The Bill will impact a whole host of societies including religious societies (like Baba Ramdev’s), sporting bodies (BCCI, IOA, others), NGOs (like those run by pro-Lokpal Bill supporters) among others.

A recent government report states that the financial output of 7 lakh societies surveyed stood at R42,000 crore in one fiscal year. The report also states that 54% of the funding for these societies comes from grants while 16% is from donations and offerings and 16% from incomes/receipts from operations.

The Bill, which has been floated by the ministry of corporate affairs (MCA) for comments and suggestions from the stakeholders, proposes power to the central government to cancel registration of societies if any multistate society registered under this Act has furnished false or misleading documents for obtaining registration or has failed to comply with the provisions of this Act. However, the draft Bill states: “No cancellation shall be done by the central government without affording the multi-state society an opportunity of being heard”.

The Bill makes it clear that all accounts of a multi-state society shall be audited by the auditors if the gross receipts or expenditure in a financial year exceeds R5 lakh.

According to a special study commissioned by the MCA, a number of countries are already in the process of implementing a centralised law and centralised reporting requirements related to regulation of societies and firms (partnership and proprietorship). These countries include Singapore, Australia and South Africa among others.

“It is desirable that India follows their lead for regulatory reporting mechanisms and a centralized reporting system under the MCA-21 platforms is established for partnerships, proprietorships and societies that operate outside the confines of one state,” sources in MCA said.

As a result, the Multi-States Society Bill, 2012, proposes that all societies registered under this Act will have mandatory annual reporting requirements, mandatory maintenance of books of accounts and the multi-state bodies will be deemed to be a corporate body.

“The movable and immovable property, belonging to a multi-state society shall be deemed to be vested in the multi-state society.”

The proposed law also gives power to the central government to take over the affairs of a multi-state society if it feels that the conduct of the society is against public interest. If such an occasion arises, the central government can either take a direct control over the body or appoint person or body of persons to oversee the management of such a society.

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