

**GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:791

ANSWERED ON:04.03.2005

RULES FOR DEFUNCT COMPANIES

Chavan Shri Harischandra Deoram;Rathod Shri Harisingh Nasaru

Will the Minister of COMPANY AFFAIRS be pleased to state:

- (a) whether the Government proposes to frame new rules for defunct companies;
- (b) if so, the details thereof;
- (c) the details of the instructions issued earlier for these companies;
- (d) the final decision likely to be taken for issue of new guidelines; and
- (e) the benefits likely to be accrued to Government and companies from these new instructions?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) & (b) No Sir. There is no proposal to frame the rules under the Companies Act, 1956 for defunct companies.

(c) In addition to the procedures prescribed in Section 560 of the Companies Act, 1956, the Government has been formulating and implementing special schemes for simplified exit of defunct companies from time to time, for specified time periods. The previous schemes implemented to provide for simplified Exit to defunct companies announced during the last 10 years were

- (i) from 28-09-2000 to 31-01-2001 extended for Gujarat upto 31-03-2001 and
- (ii) from 25-03-2003 to 31-03-2004.

(d) The Government has put in operation a new Simplified Exit Scheme effective from 01-02-2005 to 31-07-2005 for removal of names of defunct companies from the Register of Companies.

(e) Removal of defunct companies from the Register of Companies will benefit the government in (i) weeding out the defunct companies; (ii) Reducing the number of companies defaulting in complying with the provisions of the Companies Act, 1956, (iii) saving the Government expenditure in preserving their document files, (iv) reducing the cost of project of computerisation. On the other hand, the new instructions enable the defunct companies to get their names struck off the register, easily.