

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4472
ANSWERED ON:08.08.2014
PROVISIONS FOR RELATED PARTY TRANSACTIONS
Thota Shri Narasimham

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government has issued clarifications with regard to stringent provisions on related party transactions under the new Companies Act and if so, the details thereof;
- (b) whether the contracts entered into before commencement of the new Companies Act, 2013, and complying with Section 297 of the older Act are exempted under the new Act and if so, the details thereof;
- (c) whether the demergers, amalgamations and other such arrangements have been excluded in the said clarification;
- (d) if so, the details thereof; and
- (e) the steps taken/being taken by the Government for effective implementation of the new Companies Act?

Answer

THE MINISTER OF STATE (SMT. NIRMALA SITHARAMAN) IN THE MINISTRY OF CORPORATE AFFAIRS

(a) to (e):- The Government has issued a Circular on 17th July, 2014 on matters relating to related party transactions under the Companies Act, 2013 (Act) and rules made thereunder. The Circular, inter-alia, clarifies that the term 'related party' appearing in the second proviso to section 188(1) of the Companies Act, 2013 refers only to such related parties as may be related party in the context of the contract or arrangement for which the relevant special resolution is being passed. It has also been clarified that contracts entered into by companies, after complying with section 297 of the Companies Act, 1956, before commencement of section 188 of the Companies Act, 2013 will not require fresh approval under the latter provision till the expiry of original term of such contracts. The Circular also clarifies that transactions arising out of compromise, arrangements and amalgamations dealt with under specific provisions of the Companies Act, 1956 or Companies Act, 2013 would not attract the provisions of section 188 of the Companies Act, 2013