

Title: Regarding Company Law Settlement Scheme 2000.

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SRI RAM JETHMALANI): The Department of Company Affairs has 20 offices of the Registrars of Companies in various States. Apart from discharging various statutory duties the Office of the Registrar of Companies receives returns and documents from companies under various provisions of the Companies Act, 1956 as amended from time to time. It is mandatory for the Companies to file annually their Balance Sheets and Profit & Loss Accounts and Annual Returns in addition to Other Returns. The companies which do not comply with the provisions of the act are subject to prosecutions for such violations.

From the information made available to the Department by the registrars of Companies it is found that 5,16,100 companies were in existence and 2,60,530 Annual returns and 2,70,961 Balance Sheets were filed in the year 1999 alone. The compliance level for these two documents is around 50 per cent. More than five lakh prosecutions will have to be launched by the Government. Already, 38,603 cases are pending in various courts as on 31.03.1999. Experience has shown that disposal of prosecution cases takes considerable time. Courts generally levy a nominal penalty while disposing of cases. The results are not commensurate with the time and effort that go into obtaining orders of the Hon'ble Courts. Experience shows that prosecutions do not really solve the problem of widespread non-compliance.

In order to effectively ensure that during the Millennium Year we start with a clean slate, it is proposed to introduce a scheme called "The Company Law settlement Scheme 2000". The Scheme would involve the applicant Company or the officers to make a declaration to the relevant Registrars of Companies that within the stipulated time the Company will apply with necessary fees seeking immunity from prosecution and compounding of the period of delay involved in filing. The quantum of fees which will have to be paid by the Company will depend upon the number of documents in respect of which the default has taken place and the period of delay involved in filing them. Fees will be directly proportional to the extent of immunity sought.

The Scheme will be in operation for a limited period of 10 months from 1.06.2000 to 31.08.2000. The Scheme will permit defaulting companies to file all pending documents on payment of lump sum amount based on the period of delay as per following table:

**S. No. No. of Documents Amount payable for Amount payable for
delay less than 3 delay period more
years than 3 years.**

- i) Upto 2 Rs. 2,500/- Rs. 3,000/-
- ii) Upto 5 Rs. 5,000/- Rs. 6,000/-
- iii) Upto 10 Rs. 7,500/- Rs. 9,000/-
- iv) More than 10 Rs. 10,000/- Rs. 15,000/-

The Scheme has been drafted after discussing the matter extensively with officers in the Department as well as in the Field Offices and after consultations with the Institute of Chartered Accountants of India (ICI), Institute of Company Secretaries of India (ICSI), Institute of Cost and works Accountants of India (ICWA) and other individuals and organisations.

Pamphlets in simple language explaining the Scheme will be got printed and will be distributed through field offices and it is proposed to utilise the good offices of the 10 Institutes which have readily come forward and responded in a positive manner.

I am confident with the implementation of the Scheme the companies all over the country can look forward to have complete peace of mind by paying one time lump sum amount. Besides the public will also have access to up-to-date information of the companies on various financial matters involving the Company will be tremendous use to the members of the public.

I appeal through this House to all the companies to come forward to avail of this one time opportunity. I also appeal to the Captains of the industry and all professional bodies to use their good offices to ensure that individual companies come forward and take full advantage of this one time offer. I wish also to state that after the expiry of the period i.e. the 31st August, 2000, the department will come down with a heavy hand on the erring companies and also that the fines will be increased to 10 times the present amount.

If the scheme succeeds, about Rs.100 crore will accrue as income to the department of Company Affairs. The said amount is proposed to be spent on computerising and modernising the work of the Department and streamlining its operations.

SPI PAWAN KUMAR BANSAL (CHANDIGARH): This provides a premium on dishonesty of the defaulters and inefficiency of the Government. ...(*Interruptions*)

SPI SOMNATH CHATTERJEE (BOLPUR): Can it be done without changing the law? ...(*Interruptions*)

12.15 Ps.

Calling attention to the matter of urgent Public Importance