**Loan to Private Companies by Directors/ Directors’ Relatives**

**Companies (Acceptance of Deposits) Second Amendment Rules, 2015**

Amending the **Companies (Acceptance of Deposits) Rules, 2014** by **Companies (Acceptance of Deposits) Second Amendment Rules, 2015** was breathe taking amendment for Private limited Companies who mostly depend on Loan from Directors, Share Holders or their Relatives as a means of finance. This Loan from Directors’ Relatives was brought into the ambit of Deposit with the introduction of Companies Act 2013. Although much delayed, the Ministry of Corporate Affairs Vide Notification Dated 15.09.2015 notified the much awaited and anticipated amendment in Deposit Rules by Companies (Acceptance of Deposits) Second Amendment Rules, 2015.

The Ministry of Corporate Affairs has come out with relief vide its amendment dated 15.09.2015 where it has provided that from 15.09.2015 onwards, a private limited company can accept unsecured loans from a Director or Relative (may or may not be shareholder) of Director, provided that the Director or his relative from whom money is received, furnishes to the company, a declaration to the effect that the amount is not out of borrowed funds, and the same shall also be disclosed in the Board’s Report.

To summarize:

1. A private limited company can accept any amount from Director or his Relative subject to the condition that the fund lent should not be out of borrowed funds.
2. The Director or his Relative needs to give declaration to such effect.
3. Board Report must also disclose the details of money so accepted by the company.

**Detailed notification by the ministry is as under.**

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Government of India

Ministry of Corporate Affairs

Notification

New Delhi, Dated- 15th September, 2015

G.S.R.  (E). – In exercise of the powers conferred by sections 73 and 76 read with sub section (1) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Acceptance of Deposits) Rules, 2014, namely:-

1.   (1) these rules may be called the Companies (Acceptance of Deposits) Second Amendment Rules, 2015.

(2) They shall come into force on the date of their publication in the Official Gazette.

2.       In the Companies (Acceptance of Deposits) Rules, 2014 (hereinafter referred to as said rules), in rule 2, in sub-rule (1), in clause (c), for sub-clause (viii), the following shall be substituted, namely:-

“(viii) any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the private company:

Provided that the director of the company or relative of the director of the private company, as the case may be, from whom money is received, furnishes to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board’s report;”.

3. In the said rules, in rule 3, –

(a)    for the words “paid-up share capital and free reserves”, wherever they occur, the words “paid-up share capital, free reserves and securities premium account” shall be substituted;

(b)    in sub-rule (8), in the Table, for item (c) and entries relating thereto the following shall be substituted, namely:-

“(e) Brickwork Ratings India Pvt Ltd (Brickwork) BWR FBBB”.

[File No 1/8/2013-CL-V]

Amardeep Singh Bhatia, Joint Secretary

Note. – The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, sub-section (i) ride number G.S.R. 256(E), dated the 31st March, 2014 and were subsequently modified vide number G.S.R. 386(E), dated the 6th, June, 2014 and G.S.R. 241(E), dated the 31st March, 2015.

You can get in touch with us for all your queries and concerns in relation to above at [info@dcstax.in](http://www.dcstax.in) or visit us at [www.dcstax.in](http://www.dcstax.in)



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