**Government launches company law settlement scheme**

NEW DELHI: Launching an 'immunity' scheme for thousands of entities having defaulted on their statutory filings under the Companies Act, the [government](http://economictimes.indiatimes.com/topic/government) today said no penal action would be taken against those availing this offer for a period of two months.

Under this 'Company Law Settlement Scheme 2014, the defaulter entities can make statutory filings for a period of two months, starting August 15, without attracting any prosecution.

The scheme would come as a relief for such companies, whose numbers are estimated to be in thousands, as the new companies law provides for strong action against such entities and even directors can be disqualified for failing to make necessary annual filings.

The latest move comes against the backdrop of a large percentage of companies failing to file their statutory documents making them liable for penalties and prosecution.

The Ministry, which is implementing the [Companies Act](http://economictimes.indiatimes.com/topic/Companies%20Act) that governs corporates in the country, would be launching the 'Company Law Settlement Scheme 2014' from August 15. Under the scheme, entities that are yet to file their required annual documents would be provided "immunity" from prosecution.

Besides, inactive companies would get an opportunity to get themselves declared as "dormant" by filing a simple application at reduced fee. This scheme would be in force till October 15.

"Any defaulting company is permitted to file belated documents which were due for filing till June 30, 2014 in accordance with the provisions of this scheme," the Ministry said in a circular issued on Wednesday.

At the end of June, the number of companies registered with the Ministry stood at 14.02 lakh while only around 9.74 lakh were active.

During that period, as many as 1.42 lakh companies were classified dormant -- those which have not filed their annual statutory filings (annual returns/balance sheets) for more than three consecutive years.

Various representations were received by the Ministry requesting for grant of transitional or one-time opportunity to enable them to file their pending annual documents to avoid "attraction of higher fees/fine and other penal action, especially disqualification of their directors prescribed under the provisions of the Act", according to the circular.

The Companies Act, 2013, lays down a "stricter regime" for defaulting companies along with higher additional fees and increased quantum of punishment for non-compliance.

"A specific provision for enhanced fine in case of repeated default has also been included in the form or section 451 of the Act.

"... the provisions of section 164(2) of the Act, inter alia, providing for disqualification of directors in case a company has not filed financial statements or annual returns for any continuous period of three financial years has been extended to all companies," the Ministry said.

Vanishing companies, entities which have already applied for striking off their names from the Register of Companies and those which have sought dormant status, would not be eligible for the scheme.

***Source : The Economic Times***

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