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Corporate Compliance Updates



9<sup>th</sup> September 2020

## MCA Update - News Flash

### *EXTENSION OF TIME LIMIT FOR CONVENING ANNUAL GENERAL MEETING OF COMPANIES FOR THE FINANCIAL YEAR 2019-2020 ON ACCOUNT OF COVID PANDEMIC*

Every Company is required to hold an Annual General Meeting of its members (except first Annual General Meeting) within a period of six months from the date of closing of the financial year [Section 96(1) of Companies Act, 2013]. This would mean that every Company shall complete its Statutory Audit on or before 30th September to hold the Annual General Meeting of shareholders to adopt the Financial statements.

However, the Registrar of Companies' (RoCs) have the authority to extend the above period, not exceeding three months, for any special reason.

The spread of the COVID-19 Pandemic in India, the nationwide lockdown and work from home facility provided by most Companies to its employees, has affected the normal functioning of corporate entities. This has made commuting difficult for the staff of the Companies and also that of the Auditor firms. Consequently, Companies and audit firms are facing challenges in the finalization of the accounts due to delay in providing information, records, data, and documents resulting in the completion of audit within the said timeline.

Considering the present challenging circumstances and understanding the difficulty in completion of the audit before 30th September 2020, various representations were made by Companies, Trade and Industrial Associations and Professional Institutes to the Ministry of Corporate Affairs (MCA) to extend the time limit for convening Annual General Meeting for the financial year 2019-2020.

Wherefore, the MCA provided limited relaxations to Companies, by issuing the [General Circular No. 28/2020 dated 17th August 2020](#) which allowed companies to hold Board and General Meetings through Video Conferencing (VC) and Other Audio-Visual Means (OAVM).

MCA issued further clarification that the Companies on a case to case basis, could file a necessary application with the RoC to obtain an extension for convening Annual General Meeting. The RoC has been directed to consider the application for extension of the Annual General Meeting very liberally in view of the hardships faced by the stakeholders and to grant an extension for the period as applied for (up to three months) in such applications.

However, the above General Circular failed to address difficulties of finalisation of accounts and completion of Audit of small/large companies. On the other hand, the RoC had been flooded with applications filed by many companies for extension of time for convening the Annual General Meeting.

To address all difficulties once and for all, the MCA has issued directions to RoCs to issue Orders of extension of time limit for convening the Annual General Meeting without the filing of formal application and the payment of fees. Even applications already filed but not approved or rejected would be covered under this relief. The Registrar of Companies of respective State/jurisdiction on 8<sup>th</sup> September 2020 have issued General Orders granting blanket 3 months extension of the time limit to convene the Annual General Meeting.

In line with this Order, the Department of Income Tax is also expected to extend due dates of filing Income Tax Returns.

[Click here](#) to read the press release.

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