



S A R T H I

**INFOBYTE**

## **MCA clarifies on the validity of the resolutions passed under the Companies Act, 1956**

The Ministry of Corporate Affairs vide its General Circular No.32/2014 dated July 23, 2014, has brought in much required clarity on the legal validity of the resolutions passed under the applicable provisions of the Companies Act 1956 and its standing under the Companies Act 2013.

Since the inception of the Companies Act 2013, there has been lot of uncertainties in the minds of corporate about business transacted under the old act. Some of the vital sections to which they will have bearing are:

Sr. No.	Item	New Section	Old Section
1.	Loans & Investments	186	372A
2.	Related Party Transactions	188	297/314
3.	Borrowing & Investing Power	180	293

To overcome the aforesaid it was brought to the notice of the Government that many companies have passed resolutions during financial year 2013-14 under the relevant provisions of the Companies Act, 1956 which are/ were at different stages of implementation after coming into force of corresponding provisions of the new Companies Act, 2013.

The Ministry had received suggestions that while section 6 of the General Clauses Act, 1897 protects the validity of such resolutions, it will be advisable that, if a suitable communication is also issued in the matter by the Ministry as an abundant caution.

The Ministry had examined the matter in the light of similar issues clarified earlier. Thus Ministry has clarified that resolutions approved or passed by companies under relevant applicable provisions of the Old Act during the period from 1<sup>st</sup> September, 2013 to 31<sup>st</sup> March, 2014, can be implemented, in accordance with provisions of the Old Act, notwithstanding the repeal of the relevant provision subject to the following conditions:

- that the implementation of the resolution actually commenced before 1<sup>st</sup> April, 2014 and
- that this transitional arrangement will be available upto expiry of one year from the passing of the resolution or six months from the commencement of the corresponding provision in New Act whichever is later. It is also clarified that any amendment of the resolution must be in accordance with the relevant provision of the New Act.

To access the said circular please [click here](#)

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