



Share Application Money - *Reporting under the Companies Act 2013*

One of the most talked about critical area under the Companies Act, 2013 (CA 2013) is that of the share application money and these days the Registrar of Companies (ROC) are issuing notices to corporates for non-filing of Form5 INV. The Investor Education Protection Fund (IEPF) rules make it mandatory for the corporates to inter alia file the aforesaid form to report the following:

- (a) Amount of unclaimed and unpaid dividend
- (b) Amount of application moneys received and due for refund
- (c) Amount of matured deposits
- (d) Amount of matured debentures
- (e) Interest accrued on the amounts referred to in clause (a) to (d) above

Every company is required to within a period of 90 days after holding its AGM or the date on which it should have been held and every year thereafter till completion of 7 years, identify the unclaimed amounts, separately furnish and upload on its website and also on Ministry's website the details of the said amount.

These details shall be furnished by way of filing of Form 5 INV separately for each year containing the following information:

- i. Names and last known addresses of the persons entitled to receive the sum;
- ii. Nature of the amount;
- iii. Amount to which each person is entitled;

Analysis: Due date for payment was not defined under the Companies Act, 1956 but now it has been expressly defined under the CA 2013 and as per the provisions of the new act, the share application money shall be refunded within 15 days from the expiry of 60 days from the date of receipt of application money.

Amount to IEPF shall be transferred only after the expiry of 7 years from the date it becomes payable. If such money has already been refunded then the form is not required to be filed with the Registrar of Companies. In the cases where such money is refunded or allotted before the commencement of the Act then Form INV 5 has to be filed with the Registrar of Companies and Return of allotment in the case of allotment of shares.

What to do with share application money pending for allotment before 31.03.2014?

The amount also cannot be converted to loan as the CA 2013 does not permit the conversion or adjustment of such money and Company has to mandatorily refund that application money within 15 days of the date of completion of sixty days.

The provision discussed herein assumes significance as under the CA 2013, there is a separate chapter i.e Chapter 29 which covers punishment where no specific penalty or punishment is provided and also punishment in repeated defaults wherein penalty will extend from Rs.10000/- per offence to a continual penalty of Rs.1000 per day and imprisonment.

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