Dividends

Payment of dividend

under Companies Act 2013

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Legal framework

- Companies Act 2013
  - Chapter-VIII (Sections 123 to 127)
  - Companies (Declaration & Payment of Dividend) Rules 2014
  - IEPFA (Accounting, Audit, Transfer and Refund) Rules 2016
  - Companies (Accounting Standards) Rules 2006
  - Companies (Indian Accounting Standards) Rules 2015
  - Nidhi Rules 2014
  - Secretarial Standard issued by ICSI
    - *SS-1 and SS-2* (mandatory)
    - *SS-3 on Dividends (recommendatory)*
  - Companies (Registration Offices & Fees) Rules 2014
- SEBI (Listing Obligations & Disclosure Requirement) Regulations 2015
- Directions of regulators on declaration of dividend
  - *RBI directions for banks and NBFCs*
  - *IRDAI directions for insurance companies*
  - *Central Government for public sector undertakings*

Meaning of dividend

Section 2(35):

"Dividend includes any interim dividend".

General meaning:

Dividend is distribution of portion of company's earnings among shareholders in the form of return on share capital.

Following are not considered as dividend:

- Capitalisation of profit in the form of bonus shares
  [But bonus shares shall not be issued in lieu of dividend – Sec.63(3)]
- Distribution of profit or assets by liquidator during winding up.
- Distribution of discount coupons of company's products or services to all shareholders. (para 2.5 of SS-3)

Which company cannot declare dividend?

- Section 8 company.
- Any company so long as it is in default in *compliance of Sections 73 and 74 [Sec.123(6)]*

  (even if extended period is allowed by NCLT/Court)
- *Any company so long as it is in default in:*
  - *redemption of debentures or payment of interest thereon or non-creation of DRR*
  - *Redemption of preference shares or creation of CRR*
  - *Payment of dividend declared in current or previous years*
  - *Repayment of term loan to bank or financial institution or interest thereon*

  ]Suggested in SS-3 as good corporate governance]

- Banking companies, NBFCs and insurance companies can declare dividend subject to directions of the regulator (RBI/IRDAI).

Restriction on declaration of dividend by Nidhi

(Rule 18 of Nidhi Rules 2014)

Maximum dividend	**25%** Or such higher amount as may be approved by RD
Other conditions	➢ Equal amount to be transferred to General Reserve ➢ No default in repayment of matured deposit and interest ➢ Compliance of all rules applicable to Nidhis.

Modes of payment of dividend [Sec.123(5)]

- Cash
- Cheque
- Warrant
- Any electronic mode

(In case of listed company –

- *electronic mode or if not possible, payable at par cheques – Regulation 12 of LODR)*
- *Dividend warrant must contain bank account details of shareholders or failing which their address*
- *Dividend warrants for more than Rs.1,500 to be sent by speed post.)*

Modes of payment of dividend [Sec.123(5)]

- Thus payment of dividend **in kind** (e.g. gifts, goods etc) is prohibited.

- Bombay High Court in its order dated 15.9.2015 in the case of Indian Seamless Enterprises held that gift of shares of a company held as investment to its shareholders under scheme of arrangement is contrary to provisions of Sec.123(5) and hence scheme was not sanctioned.

Dividend on preference shares

- Preference shareholders entitled to get dividend prior to equity shareholders (even when it is paid out of reserves)

- **Board's discretion:** Even if distributable profit is there, board may or may not recommend dividend.

- **Cumulative preference shares**: Arrears of dividend to be paid before payment to equity shareholders *(even if same have been redeemed, unless waived by the shareholders).*

- **Participating preference shares:** Will be entitled to get dividend out of residual profit alongwith equity shareholders after payment of dividend at fixed rate as per terms of issue.

Dividend on equity shares

- **Shares with differential rights as to dividend:**

To be paid as per terms of issue.

- **Partly paid shares**:

Company may if so authorized by its articles pay dividend in proportion to the amount paid up (Sec.51). Otherwise it will have to be paid on called up amount. *[Regulation 83(i) of Table F of Schedule-I]*

- **Listed companies**:

Dividend is required to paid on per share basis only.

Provisions of Table F of Sch.I to the Act

(Articles 80 to 88)

- Dividend declared by the company cannot exceed amount recommended by the Board.
- Dividend will be paid as per amount paid on shares, but if nothing is paid, dividend may be paid as per amount of the shares.
- Dividend will be paid proportionately to the amount paid on shares. But if as per terms of issue the shares will be entitled for dividend from a particular date, it will be so paid.
- Amount payable on calls or otherwise on the shares may be adjusted against dividend payable.
- No dividend will bear interest.

Distributable profits [Sec.123(1)] (1/2)

Dividend can be paid for a financial year out of:

A) Profit for that year, or profit for previous financial year(s), or out of both or

B) Out of money provided by Central/State Govt for payment of dividend by the company in pursuance of guarantee given by that Govt.

Distributable profits [Sec.123(1)] (2/2)

Conditions:

- Depreciation to be provided as per Schedule-II.
- Amount representing unrealized gain, notional gain or revaluation of assets or any change in carrying amount of an asset or liability on measurement of asset or liability at fair value to be excluded.
- ***Previous years losses and depreciation to be set off against profit for the current year.***
- Profit on sale of fixed asset, though capital profit, can be used for dividend if actually realized in cash..

Transfer of profit to reserves [Sec.123(1)]

- Before declaration of dividend, such percentage of profit <u>may be transferred</u> to reserves, as considered appropriate by the company.

- Transfer to reserves is not mandatory.

Declaration of dividend out of reserves

Distribution of dividend out of 'free reserves'

[Sec.123(1), Rule 3]

When free reserves can be used for dividend	In case of inadequacy or absence of profit in any year. *(Accumulated profit in P&L Statement is not a 'reserve')*
Conditions to be fulfilled	1. Rate of dividend declared will not exceed average of rate of dividend declared in 3 immediately preceding years *(not applicable if not declared dividend in each of the 3 financial years).* 2. Total amount to be drawn will not exceed 1/10th of sum of its paid-up capital and free reserves as per last audited Balance Sheet. 3. Amount so drawn will first be utilized to set off carried over losses and loss for that financial year. *(Rule has mentioned loss of that financial year only, but Act has mentioned all carried over losses.)* 4. Balance of reserves after such withdrawal will not fall below 15% of its paid up share capital as per last audited Balance Sheet.
Exemption *(Notif. Dated 5.6.2015)*	Not applicable to Government Company in which entire paid up capital is held by Central and/or State Govt.

Definition of 'free reserves' [Sec.2(43)]

"free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that—

(*i*) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or

(*ii*) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves;

Reserves not available for distribution (SS-3)

Dividend not to be distributed from:

- Securities Premium Account
- Capital Redemption Reserve
- Debenture Redemption Reserve
- Amalgamation Reserve
- Revaluation Reserve**
- Profit on reissue of forfeited shares
- Profit earned prior to incorporation of company

- ***Amount of revaluation reserve pertaining to an item of fixed asset retired from active use and held for disposal or disposed of may be transferred to General Reserve available for distribution as dividend.*

- ***In Milestone Tradelinks Pvt. Ltd.*, (2013) 176 Comp Cas 337 Gujarat HC approved scheme of arrangement which provided that amalgamation reserve would be free reserve available for dividend in deviation from AS-14.

Dividend

Types of dividend

Proposed Dividend

Final Dividend

Interim Dividend

Interim dividend [Sec.123(3)] (1/2)

Who can declare and pay	Board of Directors (SS-3 recommends only at a meeting and not by circulation)
When it can be declared	➢ During any financial year, or ➢ At any time from closure of financial year to the date of AGM *(practically before the accounts are approved by the Board)* *(It means Board can declare dividend after AGM also, but in that case it will be for that financial year only and not for previous financial year.)*
Distributable profit	➢ Surplus in the P&L statement, or ➢ Profit of the financial year for which such dividend is declared, or ➢ Profit generated in the FY till the quarter preceding the date of declaration of interim dividend *(In case of loss during such period, rate of dividend will not be higher than average rate of dividend declared during previous 3 years.)*
General	➢ *Articles must authorize Board to pay interim dividend.* ➢ *Financial statements to be reviewed before declaring interim dividend. (Also by Audit Committee, if any)* ➢ *Arrears of dividend, if any, on preference shares to be paid first.*

Interim dividend [Sec.123(3)] (2/2)

Approval at AGM	No noting, approval, confirmation or ratification of interim dividend is required at AGM. However, Board report should mention amount paid. (SS-3)
In case of inadequate profit	➢ *Amount may be transferred from free reserves to P&L statement* ➢ *Interim dividend may be declared from P&L after compliance of Rule 3.* *(Para 1.2.2 of SS-3 however prohibits payment of interim dividend from free reserves.)*

Final dividend [Sec.123] *(1/2)*

Who can declare	Annual General Meeting
Recommen= dation of	*Board of Directors* *(Listed entity to give two clear days prior intimation of BM to Stock Exchange)*
Power of AGM	➢ Can reduce or cancel dividend ➢ Cannot increase dividend (Regulation 80) ➢ What if Regulation 80 is excluded in Articles?
Mode	➢ *Percentage basis, or* ➢ *Per share basis (mandatory for listed companies)* *(SS-3 recommends disclosure of dividend on per share basis for all companies for uniformity.)*

Final dividend [Sec.123] (2/2)

No dividend after AGM	*No dividend can be declared on equity shares for that year after AGM is held and accounts are adopted*
Ordinary business	*Declaration of dividend is ordinary business at AGM*
Record date	*Listed entity to give 7 clear working days intimation to Stock Exchange for record date prior to recommendation/ declaration.*

Bank account for dividend

Where the amount is to be deposited	In a scheduled bank. (Non-scheduled banks include: 1500 urban cooperative banks, 11 State cooperative banks and 4 local area banks.)
Time limit for transfer	**5 days** *(including intervening holidays)* from date of declaration of dividend – whether interim or final ➢ *(If entire amount is paid within 30 days and there is no balance, same account may be used in future for dividend)* ➢ Govt company exempted from this requirement if entire capital is held by Central/State Govt or both or another Govt company.
Whether mandatory	Yes, it is mandatory for all companies declaring dividend except Govt. Co. in which entire paid up capital is held by Central and/or State Govt. (notifn. Dated 5/6/2015)
Whether same account can be used for future years	Yes, it can be used if entire dividend is paid and there is no unpaid dividend (SS-3).

Unpaid dividend account (Sec.124) (1/2)

Where the a/c is to be opened	In a scheduled bank
When to open	If dividend remains unpaid or unclaimed within 30 days from date of declaration *(Instead of opening separate account, name of same account may also be changed. However in this case separate dividend a/c needs to be opened for future years dividend .)*
Time limit for transfer of amount	➢ 7 days from the expiry of the above period of 30 days ➢ Dividend in respect of shares if transfer of such shares is pending at company, unless the registered holder has authorized to pay to the transferee [Sec.126(a)]

Unpaid dividend account (Sec.124) (2/2)

Interest in case of delay	**12% p.a.** (in proportion to the amount remaining unpaid to shareholders)
Whether can be kept in fixed deposit	➢*RBI has permitted* ➢*But interest liable to be transferred to IEPF*
Details on website	*List of shareholders of unpaid dividend to be placed on website of co., if any within 90 days of transfer to Unpaid Dividend A/c. [Sec.124(2)]*

Payment of dividend to non-residents

Applicable law	➢ Foreign Exchange Management Act 1999 ➢ Foreign Exchange Management (Current Account Transactions) Rules 2000 ➢ Income Tax Act 1961
Transaction prohibited	Dividend by a company to which requirement of dividend balancing is applicable (Schedule-I to the Rules)
Transaction permitted	If shares were issued on repatriation basis.
Form to be filled up	RCD2 and A2 *(alongwith copy of audited Balance Sheet and resolution for payment of dividend)*
Income tax	*Forms 15CA and 15CB to be filed, as may be applicable.*

Right to forego dividend

Applicable provisions	➢ No special provision in law for waiver ➢ Sun Pharma had had set an example
Procedure	➢ Articles must provide for right to waive ➢ The right to be exercised by shareholders in writing ➢ Nothing to be given in return of waiver
When the right can be exercised	➢ *In case of interim dividend:* Before declaration of Board ➢ *In case of final dividend:* After recommendation by Board but before declaration at AGM

Who is entitled to get dividend (1/2)

Who will get dividend	➢ *Registered holder of shares, (or beneficial owners in case of shares in demat form), or* ➢ *Their order, or* ➢ *To their bankers.* *[Sec.123(5)]*
In case of joint holding	*To the holder first name in register of members, unless a request signed by all joint holders is received for payment to other person.*
In case of transfer of shares	➢ Company can pay to registered holder if transfer is not lodged with the company. ➢ Transferee can lodge documents with company within 15 days of date when dividend became due. This period can be extended in specific cases of death of transferee, loss of documents or postal delay. *[Sec.27 of Securities Contracts (Regulation) Act 1956]*

Who is entitled to get dividend (2/2)

In case of death of shareholder	Nominee [Rule 19(8)]
Withholding of dividend	*If Board has sent notice either to get himself registered or transfer the shares and the notice is not replied within 90 days.* [Rule 19(8)]

Other points relating to dividend

Conditional declaration	Dividend should not be declared subject to any condition (e.g. approval of banks)
Revocation of dividend	Dividend (whether interim or final) once declared is a debt and cannot be revoked (SS-3)
Rounding off	Dividend may be rounded off to nearest rupee, as was permitted under Rules under the 1956 Act.

Tax on dividend received by shareholders

Whether dividend is taxable	Yes, w.e.f. 1st April 2020 (Financial year 2020-21)
Rate of tax	As applicable to concerned shareholder

TDS on dividend

Applicable from	1st April 2020 (Financial year 2020-21)
Applicable Section	194 (for resident investors) 195 (for non-resident investors)
Rate of TDS	10% (if PAN provided) 20% (if PAN not provided) 20% (non-filers of ITRs during last 2 years if aggregate TDS is Rs.50,000 or more) [Sec.206AB w.e.f. 1.4.2021] 20% (non-residents)+ surcharge + cess or DTAA rate, whichever is less.
When to be deducted	*Payment of dividend to resident shareholder exceeding Rs.5,000 in a financial year*
TDS certificate	*16A*
TDS return	*26Q*
Exceptions	*Payment to LIC, GIC or other insurers.*
Declaration for no TDS	*15G/15H (by individuals)*
Note: With introduction of TDS, dividend distribution tax has been abolished w.e.f. 1st April 2020.	

Accounting entries for dividend

On declaration of dividend	Dividend A/c Dr. To Dividend Payable A/c To TDS on dividend a/c (On the date of declaration)
On transfer of money to dividend a/c	Dividend A/c with ABC Bank Dr To Bank A/c
On payment of dividend and TDS	Dividend Payable A/c Dr TDS on Dividend A/c Dr To Dividend A/c with ABC Bank
On transfer to Unpaid Dividend A/c	*Unpaid Dividend A/c with ABC Bank Dr* *To Dividend A/c with ABC Bank*

Disclosures required (1/2)

Balance Sheet/ notes to accounts	➢ Interim dividend paid during the year to be reduced from Reserves & Surplus ➢ Aggregate amount proposed to be distributed to equity and preference shareholders and related amount of dividend per share. Arrears of fixed cumulative dividend to be disclosed separately. ➢ In case of Ind-AS companies under the head Current Liabilities & Provisions the amount lying in Unpaid Dividend A/c togetherwith interest, if any. ➢ Dividend declared after Balance Sheet date should not be recognized as a liability as at the Balance Sheet date unless the law so requires. Such dividend should be disclosed in notes. *[As per AS-4 (Contingencies and Events occurring after the Balance Sheet Date) as amended on 30.3.2016]*

Disclosures required (2/2)

P&L statement	Interim dividend paid during the year will be debited to P&L statement.
Cash flow statement	Interim dividend paid during the year will be reflected.
Board's report/ annual report	➢ Interim dividend paid during the year ➢ Recommendation of the Board for proposed dividend ➢ Amount lying in Unpaid Dividend A/c during last 7 years ➢ Amount transferred to IEPF during the year

Auditors' report and dividend

Auditors' to confirm in their report whether the company has complied with provisions of Sec.123 of the Act relating to dividend paid during the year. *(Applicable from 1st April 2021)*

Dividend policy

Mandatory for	Top 500 listed companies (Regulation 43A of LODR)
Determinants of policy	➢ Legal & contractual restrictions ➢ Earnings ➢ Cash position & liquidity ➢ Financial needs ➢ Tax considerations

Investor Education & Protection Fund (IEPF)

Investor Education & Protection Fund (IEPF)

Date of establishment	7th September 2016 (u/s 125 of Companies Act 2013)
Objective	Promotion of investors' awareness and protection of the interests of investors.
Composition of Authority	a) Chairperson *(Secretary, MCA, ex-officio)* b) Six members, and c) CEO (to be appointed by Central Govt)

Amount to be transferred to IEPF (1/2)

(*a*) the amount given by the Central Government by way of grants after due appropriation made by Parliament by law in this behalf for being utilised for the purposes of the Fund;

(*b*) donations given to the Fund by the Central Government, State Governments, companies or any other institution for the purposes of the Fund;

(*c*) the amount in the Unpaid Dividend Account of companies transferred to the Fund under subsection (*5*) of section 124;

(*d*) the amount in the general revenue account of the Central Government which had been transferred to that account under sub-section (*5*) of section 205A of the Companies Act, 1956 as it stood immediately before the commencement of the Companies (Amendment) Act, 1999 and remaining unpaid or unclaimed on the commencement of this Act;

(*e*) the amount lying in the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 (1 of 1956);

(*f*) the interest or other income received out of investments made from the Fund;

(*g*) the amount received under sub-section (*4*) of section 38;

Amount to be transferred to IEPF (2/2)

(*h*) the application money received by companies for allotment of any securities and due for refund;

(*i*) matured deposits with companies other than banking companies;

(*j*) matured debentures with companies;

(*k*) interest accrued on the amounts referred to in clauses (*h*) to (*j*);

(*l*) sale proceeds of fractional shares arising out of issuance of bonus shares, merger and amalgamation for seven or more years;

(*m*) redemption amount of preference shares remaining unpaid or unclaimed for seven or more years; and

(*n*) such other amount as may be prescribed:

Utilisation of IEPF money [Sec.125(3)]

(*a*) the refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest thereon;

(*b*) promotion of investors' education, awareness and protection;

(*c*) distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the Court which had ordered disgorgement;

(*d*) reimbursement of legal expenses incurred in pursuing class action suits under sections 37 and 245 by members, debenture-holders or depositors as may be sanctioned by the Tribunal; and

(*e*) any other purpose incidental thereto,

Transfer of unclaimed dividend to IEPF

Statement to be filed for transfer	IEPF-1
Time limit	30 days of amount becoming due for transfer.
Notice to shareholders before transfer	SS-3 suggests individual notice to all shareholders at least 3 months before due date of transfer to IEPF just as in case of transfer of shares as a measure of good corporate governance.
Annual return of unclaimed dividend	Form IEPF-2 as on the date of closure of financial year.
Time limit for filing	➢ 60 days from date of AGM or the last date by which AGM should have been held, whichever is earlier. ➢ Every year thereafter till completion of 7 years period.

Transfer of unclaimed shares to IEPF [Sec.124(6), Rule (6)] (1/5)

Where to transfer	Demat account of IEPF Authority Particulars: PNB: SBICAP DP ID: IN300708: 12047200 Client ID: 10656671: 13676780
When shares are due for transfer	When dividend has not been paid or claimed for **seven consecutive years.**
Last date for transfer	Within 30 days of shares becoming due to be transferred, except: ➢ If dividend for such shares has been encashed or credited to the bank account of the owner or claimed for any year during last 7 years. ➢ If there is an order of court or other authority restraining such transfer ➢ If the shares have been hypothecated or pledged under Depositories Act 1996

Transfer of unclaimed shares to IEPF [Sec.124(6), Rule (6)] (2/5)

Maintaining records [Rule 5(6)(c)]	IEPF-1 with supporting documents have to be maintained. ➢ No time limit prescribed. ➢ It seems records need to be maintained permanently.
Filing IEPF-3	Within 30 days of end of financial year if the shares are not transferred as above. (giving details of shares and unpaid dividend}
Prior notice before transfer	Company to inform the shareholder at least 3 months before due date for transfer and also publish notice in newspaper in English and regional language having wide circulation

Transfer of unclaimed shares to IEPF [Sec.124(6), Rule (6)] (3/5)

Old shares	All shares in respect of which dividend has been transferred to IEPF on or before 7th September 2016 shall also be transferred.
Method of transfer	➢ Same as followed for transmission of shares. ➢ Board to authorize CS or some other person to sign required documents ➢ Inform DP by corporate action ➢ In case of physical shares, authorized person to request company to issue new share certificate ➢ After issue of new certificate, co. to request for converting in demat and then transfer through corporate action. ➢ File IEPF-4 within 30 days of transfer.
Stamp duty	No stamp duty is applicable under Indian Stamp Act 1899 since it is transmission of shares by operation of law without any consideration.

Transfer of unclaimed shares to IEPF [Sec.124(6), Rule (6)] (4/5)

Voting rights	Voting right to remain frozen until rightful owner claims. However, such shares to be included in total voting rights under Takeover regulations. (For the purpose of e-voting shares transferred will not be included while calculating total voting rights.)
Right to attend AGM	Shareholder will loose his right to attend and vote at the meeting after the shares are transferred to IEPF.
Benefits on such shares	➢ All benefits like bonus shares, split, consolidation, fraction shares etc. *except rights issue) also to be transferred to demat account ➢ IEPF-4 to be filed within 30 days of corporate action. ➢ In case of delisting, IEPFA to surrender shares and credit proceeds to separate account ➢ Any further dividend to be credited to IEPF's a/c with PNB ➢ IEPF-7 to be filed within 30 days of remittance.

Transfer of unclaimed shares to IEPF [Sec.124(6), Rule (6)] (5/5)

When IEPFA is to surrender shares	➢ If the co. is being wound up ➢ If the co. is being delisted as per SEBI regulations.
Treatment of dividend declared after transfer of shares	➢ *Rules are silent.* ➢ *It seems dividend needs to be transferred to IEPF after declaration since shares have already been transferred.*
Pending requests for transmission of shares	➢ *Rules are silent.* ➢ *Co. may take its own decision for transfer of such shares to IEPF.*
Whether IEPFA becomes owner of shares?	*No, Shareholders can claim back shares from IEPFA. Hence IEPFA acts like custodian of such shares.*

Status of transfer to IEPF as on 31.3.2018

- **Rs.2,019.27 crores.**
- 1355 companies transferred about 48.59 crore shares for about 29.46 lakh folios.
- Refund of Rs.1.26 crores sanctioned to investors from IEPF.
  (Source: www.iepfportal.in)

Refund to claimants from IEPF *[Sec.124, Rule 7]*

Who can apply	Any person whose amount or shares have been credited to IEPF.
Nodal officer	➢ Every company transferring money or shares to IEPF has to nominate a director, CFO or CS as nodal officer to verify claims and communication with IEPFA, failing which every director will be deemed to be nodal officer. ➢ Details of nodal officer to be filed in IEPF-2. ➢ Disclose his name and email ID on website of company. ➢ Any change in nodal officer to be filed in IEPF-2 within 7 days with Board resolution.

Refund to claimants from IEPF *[Sec.124, Rule 7]*

Appli-cation form	➢ IEPF-5 with fee (and documents as per Sch.II or Sch.III, if applicable) ➢ Original documents (share certificates etc.), indemnity bond, advance receipt etc. to be sent to nodal officer of the company at registered office address ➢ After verification company to file IEPF-5 within 30 days alongwith e-verification report and scanned copies of original documents (In case of delay, additional fee of Rs.50 per day, max. Rs.2500 will be payable.) ➢ Claim may be rejected in case verification report not received within 60 days of filing IEPF-5 ➢ IEPFA will process claim accordingly. ➢ Company will be liable to indemnify IEPFA in case of any loss. ➢ In case of fraudulent claim, Sec.57, 447, 448 will apply.

IEPF returns at a glance (1/2)

Form	Time limit	IEPF Rule	Description
IEPF-1	30 days of amount due for credit	5(1)	Statement of amount credited to IEPF (Excel file of investor wise details to be uploaded)
IEPF-1A	60 days of notification of Amdmt Rules 2019	5(4a)	Statement of amount credited to IEPF u/s 205C of 1956 Act
IEPF-2	60 days of AGM (till 7 years) 7 days of change of nodal officer	5(8), 7(2B)	Statement of unpaid and unclaimed amounts and details of nodal officer
IEPF-3	30 days of close of financial year	18(3)	Statement of shares and unpaid or unclaimed dividend not transferred to IEPF

IEPF returns at a glance (2/2)

Form	Time limit	IEPF Rule	Description
IEPF4	30 days of corporate action	6(5), 6(8)	Statement of shares transferred to IEPF (investor wise details to be uploaded)
IEPF-5	Not applicable	7(1)	Application (web form) to IEPFA for claiming refund and shares
IEPF-7	30 days of date of transfer of amount	6(13)	Statement of amount credited to IEPF on account of shares transferred to the fund

Due date calendar at a glance (1/2)

Date of declaration of dividend	x
Last date for transfer to Dividend Account	X+5 days
Last date for payment by company	X+30 days
Last date for transfer to Unpaid Dividend Account	X+30+7 days
File IEPF-2 within 60 days of AGM every year till completion of 7 years	Within 60 days of AGM
Due for transfer to IEPF (or last date for claim from company by shareholders)	(X+30+7 days)+ 7 years
Last date for transfer of amount and shares to IEPF	(X+30+7 days) + 7 years + 30 days

Due date calendar at a glance (2/2)

File IEPF-1	Within 30 days of submission of challan
File IEPF-4	Within 30 days of transfer of shares
File IEPF-3	Within 30 days of end of financial year

Penal provisions

Penal provisions (1/3)

Sec.*	Nature of non-compliance	Who is liable	Punishment
124	Non-compliance of Sec.124 (w.e.f. 24.3.2021)	Company	*Penalty of Rs..1 lakh + Rs.500 for each day (max. Rs.10 lakhs)*
		Every officer in default	*Penalty of Rs.25,000 + Rs.100 per day (max. Rs.2 lakhs)*
127	Non-payment of dividend within 30 days	Every director who is knowingly party	Imprisonment upto 2 years and fine not less than Rs.1,000 per day *(subject to certain exceptions)*
		Company	Simple interest @ 18% p.a. for period of default

- *In case of small company, OPC, producer co. start-up co. lesser penalty applicable u/s 446B.*
- *In case of repeated default higher fine applicable u/s 451.*

Penal provisions – Sec.127 (2/3)

Note:

1. *In case of Nidhi company Sec.127 shall apply with the modification that where dividend payable to a member is Rs.100 or less, it shall be sufficient compliance if the declaration of dividend is announced in local newspaper of wide circulation and it is also displayed on the notice board for at least 3 months. [Exemption notification dated 5.6.2015]*

2. *Offence u/s 127 cannot be compounded u/s 441.*

3. *Complaint must be filed within the period prescribed under Limitation Act 1961.*

4. *Once the company establishes that it had transferred the amount to Unpaid Dividend A/c, the co. is no more liable for punishment.* [*Nutech Agros* v *Ch. Mohan Rao* (2000) 26 SCL 447 (AP)]

Penal provisions – Sec.450 (3/3)

Sec.*	Nature of non-compliance	Who is liable	Punishment
450	*Non-compliance of any provision for which no punishment is specified*	*Company or officer of the company or any other person*	*Penalty of Rs.10,000 and further penalty of Rs.1,000 per day of default subject to max. of Rs.2 lakhs for company and Rs.50,000 for officer or other person.*

Note:

Office of director of a producer company shall become vacant if the company has failed to pay dividend and such failure continues for one year or more. [Sec.378Q(1)(d)(ii)]

Q.1

Can a company declare dividend of Rs.40 for the year 2020-21 in the following case and how much amount will have to be transferred from free reserves?

Balance in P&L as on 31.3.2020	(-) 100
Profit for 2020-21	50
Balance in P&L as on 31.3.2021	(-) 50
Paid-up capital	50
Free reserves	500
Dividend declared during last 3 years	NIL

Q.2

Can a company declare dividend of Rs.60 for the year 2020-21 in the following case and how much amount will have to be transferred from free reserves?

Balance in P&L as on 31.3.2020	100
Profit for 2020-21	(-) 50
Balance in P&L as on 31.3.2021	50
Paid-up capital	50
Free reserves	300
Dividend declared during last 3 years	NIL

Q.3

How much dividend can be paid by the company for the year 2020-21 in the following case?

Balance in P&L as on 31.3.2020	(-) 100
Profit for 2020-21	(-) 50
Balance in P&L as on 31.3.2021	(-) 150
Paid-up capital	100
Free reserves	500
Dividend declared during last 3 years	10%, NIL, 15%

Any Questions...
Just Ask!

P C Agrawal

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