



**Amendment to Companies (Acceptance of Deposit) Rules,  
2014**  
June 2016

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**Brahmayya & co.**

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## Amendment to Companies (Acceptance of Deposit) Rules, 2014

The Ministry of Corporate Affairs (MCA) has amended and expanded the list of Exempted Deposits under the Companies (Acceptance of Deposit) Rules, 2014. These amendments shall come into force on the date of their publication in the Official Gazette i.e., 29th June 2016.

### Amendment to Rule 2(1)(c)

Reference	Exempt from Definition of Deposit
Sub Clause (ix)	Under existing Sub Clause (ix), compulsory convertible bonds or debentures convertible within a period of five years are included in 'exempt Deposits'. Now, compulsorily convertible bonds or debentures convertible within a period of ten years are included in 'exempt Deposits'.
Sub Clause (ix)	Any non-interest bearing amount received or held in trust. The word 'or' has been replaced with 'and' to clarify that any non-interest bearing amount held in trust is exempt from the ambit of 'Deposits'.
Sub Clause (ixa)	Any amount raised by issue of non-convertible debenture not constituting a charge on the assets of the Company and listed on a recognized stock exchange as per applicable regulations made by SEBI

### Additional items included to Rule 2(1)(c)

Reference	Exempt from Definition of Deposit
Sub Clause (xii) (e)	Any advance towards consideration for providing future services in the form of a warranty or maintenance contract as per written agreement or arrangement, if the period for providing such services does not exceed the period prevalent as per common business practice or five years, from the date of acceptance of such service whichever is less.
Sub Clause (xii) (f)	Advance received and as allowed by any sectoral regulator or in accordance with directions of Central or State Government
Sub Clause (xii) (g)	Advance for subscription towards publication, whether in print or in electronic to be adjusted against receipt of such publications.
Note: If the items mentioned in (e), (f) and (g) become refundable, due to non-availability of necessary permission required or approval required, if any, to deal in goods or provision of services for which such amount is received, it will be deemed to be a deposit on the expiry of 15 days from the day it becomes due for refund.	

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Sub clauses (xv) and (xvi)	Any amount received by way of subscription under Chit Fund Act or SEBI's CIS Regulations.
Sub Clause (xvii)	Amounts of Rs. 25 Lakhs or more received by a start-up company by way of convertible note (convertible into equity shares or repayable within a period not exceeding 5 years from date of issue) in a single tranche, from a person
'Start-up Company' is defined to mean a private company incorporated under the Companies Act, 2013 or the Companies Act, 1956, and also fulfilling Start-up India Guidelines issued by the DIPP. 'Convertible note' has been defined to mean an instrument evidencing receipt of money initially as a debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of the start-up company upon occurrence of specified events, and as per other terms and conditions agreed to and indicated in the instrument	
Sub clause (xviii)	Any amount received from SEBI-registered Alternative Investment Funds, Domestic Venture Capitalists and Mutual Funds.

### Amendment to Rule 3

- Limits for accepting or renewing any deposit from members of a public company has been increased from 25% of the aggregate of the paid-up share capital and free reserves of the company to 35%.
- For private companies, a separate limit has been prescribed for acceptance of deposits from its members. Private companies may accept from its members, deposits not exceeding 100% of the aggregate of the paid up share capital, free reserves and securities premium account. For public companies, securities premium account is not available in calculating such limits.
- Further, the company has to file details of monies so accepted from members to the Registrar in the manner as may be prescribed.

### Amendment to Rule 4

- Advertisement inviting deposits has to be posted on the website of the company.
- Advertisement in Form DTP-1 now contains a Disclaimer paragraph

### Amendment to Rule 5

An exemption has been granted from obtaining deposit insurance till March 31, 2017, or till the availability of a deposit insurance product, whichever is earlier

### New Rule 16A Disclosure in Notes to the Financial Statement

- In case of private companies - money received from the Directors and their relatives.
- In case of other companies - money received from the Director.

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