General Circular No. 4/2011

F. No. 14/6/2011-CL-VII
Government of India
Ministry of Corporate Affairs

5th Floor, 'A' Wing,
Shastri Bhawan, New Delhi,
Dated: - 4th March, 2011

To,
All Regional Directors
All Registrars of Companies
The Institute of Company Secretaries of India
The Institute of Chartered & Accountants of India
The Institute of Cost and Works Accountants of India

Subject: - Payment of commission to Non-Whole Time Directors of the company under section 309(4) (b) of the Companies Act, 1956.

Companies are making applications to the Central Government for payment of remuneration in the form of commission to their Non-Whole Time Director(s) even when the total commission to be paid to all the Non-Whole Time Director(s) taken together falls within the limit of 1% of net profit of the company under Section 198 of the Act [when the company has a Whole Time Director(s) or a Managing Director(s)] or within the limit of 3% net profit of the company under Section 198 of the Act [when the company does not have a Managing Director or a Non-Whole Time Director(s)] in addition to the sitting fee. This is based on a decision of this Ministry taken in File No. 6(a) CL-I/66 issued several decades back.

2. It has now been decided that a company shall not require approval of the Central Government for making payment of remuneration by way of commission to its Non-Whole Time Director(s) in addition to the sitting fee if the total commission to be paid to all those Non-Whole Time Directors does not exceed 1% of the net profit of the company if it has a Whole Time Director(s) or 3% of the net profit of the company if does not have a Managing Director or Whole Time Director(s).

(L. K. Trivedi)
Under Secretary