

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 4472
ANSWERED ON FRIDAY, AUGUST 08, 2014/
SHRAVANA 17, 1936 (SAKA)**

PROVISIONS FOR RELATED PARTY TRANSACTIONS

QUESTION

4472. SHRI NARASIMHAM THOTA:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government has issued clarifications with regard to stringent provisions on related party transactions under the new Companies Act and if so, the details thereof;
- (b) whether the contracts entered into before commencement of the new Companies Act, 2013, and complying with Section 297 of the older Act are exempted under the new Act and if so, the details thereof;
- (c) whether the demergers, amalgamations and other such arrangements have been excluded in the said clarification;
- (d) if so, the details thereof; and
- (e) the steps taken/being taken by the Government for effective implementation of the new Companies Act?

ANSWER

**THE MINISTER OF STATE
IN THE MINISTRY OF CORPORATE AFFAIRS**

(SMT. NIRMALA SITHARAMAN)

कारपोरेट कार्य मंत्रालय में राज्य मंत्री

(श्रीमती निर्मला सीतारमण)

(a) to (e):- The Government has issued a Circular on 17th July, 2014 on matters relating to related party transactions under the Companies Act, 2013 (Act) and rules made thereunder. The Circular, inter-alia, clarifies that the term 'related party' appearing in the second proviso to section 188(1) of the Companies Act, 2013 refers only to such related parties as may be related party in the context of the contract or arrangement for which the relevant special resolution is being passed. It has also been clarified that contracts entered into by companies, after complying with section 297 of the Companies Act, 1956, before commencement of section 188 of the Companies Act, 2013 will not require fresh approval under the latter provision till the expiry of original term of such contracts. The Circular also clarifies that transactions arising out of compromise, arrangements and amalgamations dealt with under specific provisions of the Companies Act, 1956 or Companies Act, 2013 would not attract the provisions of section 188 of the Companies Act, 2013
