

# *SECTION 8 COMPANY*

**Formation, Privileges, Exemptions,  
Conversions, Penalties etc.**



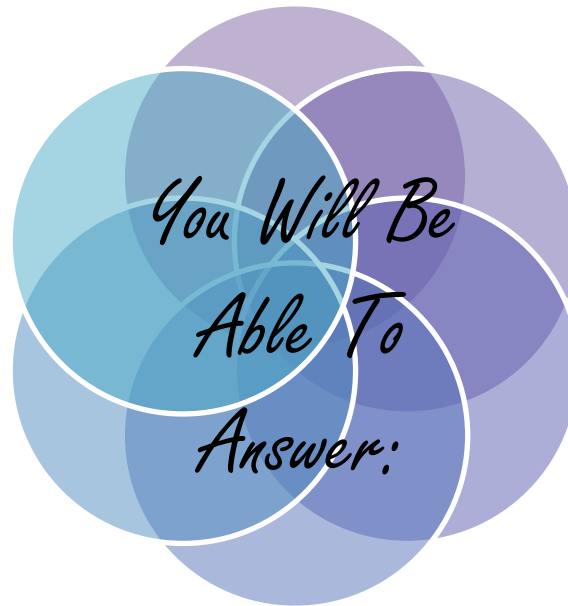
# SECTION 8 COMPANIES

What Are Section 8 Companies?

What Is The Penalty For Non- Compliance Of Regulations?

What Are The Benefits And Privileges To Section 8 Companies?

What Is The Procedure To Convert Section 8 Company Into Company Of Any Other Kind?



What Is The Procedure To Obtain License For Formation Of Section 8 Companies?

What Is The Procedure To Obtain License For Existing Companies?

# SECTION 8 COMPANIES

## What Are Section 8 Companies?

A NON PROFIT ORGANISATION

FORMED BY ANY PERSON TO BE REGISTERED AS A LIMITED COMPANY. PERSON AS PER GENERAL CLAUSES ACT INCLUDES COMPANY, AOP OR BOI.

ACCORDINGLY, A TRUST/ REGISTERED SOCIETY IS A PERSON.

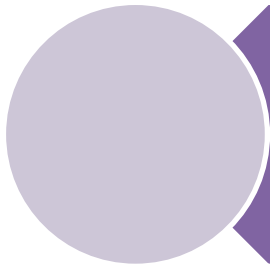
LIMITED COMPANY TO HAVE PRESCRIBED OBJECTS AND RESTRICTIONS.

NAME WILL BE WITHOUT THE WORD PUBLIC LIMITED OR PRIVATE LIMITED

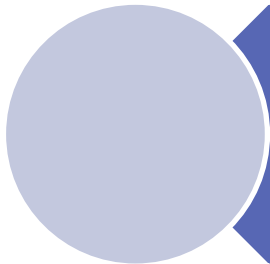
NAME SHALL INCLUDE WORDS LIKE FOUNDATION, FORUM, ASSOCIATION, FEDERATION, CHAMBERS, CONFEDERATION, COUNCIL, ELECTORAL TRUST ETC.

NO ONE PERSON COMPANY CAN BE CONVERTED INTO SECTION 8 COMPANY. HOWEVER A PARTNERSHIP FIRM AND LLP CAN BE MEMBERS OF SECTION 8 COMPANIES.

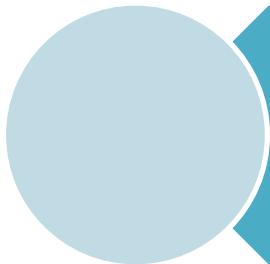
# OBJECTS AND RESTRICTIONS FOR SECTION 8 COMPANIES



PROMOTION OF COMMERCE, ART, SCIENCE, SPORTS, EDUCATION, RESEARCH, SOCIAL WELFARE, RELIGION, CHARITY, PROTECTION OF ENVIRONMENT OR ANY OTHER SUCH OBJECT.



APPLICATION OF PROFITS OR OTHER INCOME IN PROMOTING ABOVE OBJECTS.



PROHIBITION ON THE PAYMENT OF DIVIDEND TO ITS MEMBERS.

# *BENEFITS/PRIVILEGES OF SECTION 8 COMPANIES*



TAX EXEMPTION



NO MINIMUM CAPITAL REQUIREMENT



NO STAMP DUTY PAYABLE



SEPARATE LEGAL ENTITY



CREDIBLE



NO TITLE REQUIRED

# *SOME EXEMPTIONS*

Company Secretaries/ independent directors are not mandatory for section 8 Company

No minimum share capital required

Prior and short notice period of 14 days for Annual General Meetings

Recording for the MOM is not required unless needed. One board meeting every six months

No minimum and maximum requirement for number of directors. No ceiling limits either.

# SECTION 8 COMPANIES

## PROCEDURE TO OBTAIN LICENSE FOR SECTION 8 COMPANY - RULE 19 OF COMPANIES (INCORPORATION) RULES

AN APPLICATION SHALL BE MADE TO THE REGISTRAR OF COMPANIES  
IN FORM NO. INC.32 (spice) ALONG WITH THE FOLLOWING  
DOCUMENTS:

DRAFT MEMORANDUM OF ASSOCIATION (MOA) AND  
ARTICLES OF ASSOCIATION (AOA) OF THE COMPANY IN  
PRESCRIBED FORMAT (FORM NO. INC – 13)

- A DECLARATION IS TO BE ATTACHED IN FORM NO. INC-14 BY AN ADVOCATE, A CHARTERED ACCOUNTANT, COST ACCOUNTANT OR COMPANY SECRETARY IN PRACTICE, THAT THE DRAFT MEMORANDUM AND ARTICLES OF ASSOCIATION HAVE BEEN DRAWN UP IN CONFORMITY WITH THE PROVISIONS OF SECTION 8 AND RULES MADE THERE UNDER AND ALL THE REQUIREMENTS UNDER SECTION 8 HAVE BEEN COMPLIED WITH.

- AN ESTIMATE OF THE FUTURE ANNUAL INCOME AND EXPENDITURE OF THE COMPANY FOR NEXT THREE YEARS, SPECIFYING THE SOURCES OF THE INCOME AND THE OBJECTS OF THE EXPENDITURE.
- A DECLARATION (IN FORM NO. INC-15) BY EACH OF THE PERSONS MAKING THE APPLICATION

# SECTION 8 COMPANIES

LICENSE FOR  
EXISTING  
COMPANY- RULE 20  
OF COMPANIES  
(INCORPORATION)  
RULES

LIMITED COMPANY WITH OBJECTS AND RESTRICTONS  
AS SPECIFIED IN SECTION 8(1)(a) TO MAKE APPLICATION  
IN INC 12 WITH THE FOLLOWING DOCUMENTS:

I MOA/AOA HAVING THE SAID OBJECTS AND RESTRICTIONS.

II. DECLARATION IN INC 14

III. FINANCIAL STATEMENTS, BOARD REPORT AND AUDIT REPORT FOR  
PREVIOUS TWO FINANCIAL YEARS OR LESS IN CASE OF NEW COMPANY.

III. STATEMENT OF ASSETS AND LIABILITIES NOT OLDER THAN 30 DAYS

IV. AN ESTIMATE OF THE FUTURE ANNUAL INCOME AND EXPENDITURE OF  
THE COMPANY FOR NEXT THREE YEARS, SPECIFYING THE SOURCES OF THE  
INCOME AND THE OBJECTS OF THE EXPENDITURE.

V. APPROVAL OF REGULATORY AUTHORITY IF ANY REQUIRED WITHIN ONE  
WEEK

VI. WITHIN ONE WEEK OF APPLICATION TO PUBLISH ADVERTISEMENT IN  
NEWSPAPERS ONE IS VERNACULAR LANGUAGE AND OTHER IN ENGLISH  
CIRCULATING IN THAT DISTRICT AND ON THE WEBSITE AS NOTIFIED BY CG.



# SECTION 8 COMPANIES

PROCEDURE TO  
CONVERT SECTION 8  
COMPANY INTO  
COMPANY OF ANY  
OTHER KIND- RULE  
21 OF COMPANIES  
(INCORPORATION)  
RULES  
RD APPROVAL

SPECIAL RESOLUTION IN GM APPROVING SUCH CONVERSION

EXPLANATORY STATEMENT TO PROVIDE FOR REASONS FOR SUCH ALTERATION, DETAILS OF PRIVILEGES AND EXEMPTIONS CURRENTLY ENJOYED BY COMPANY, AND THE IMPACT OF PROPOSED CONVERSION ON MEMBERS.

APPLICATION TO BE MADE TO RD IN INC 18 ALONGWITH ABOVE DETAILS OF RESOLUTION PASSED.

WITHIN ONE WEEK OF APPLICATION TO PUBLISH ADVERTISEMENT IN NEWSPAPERS IN INC -19 IN ONE VERNACULAR LANGUAGE AND OTHER IN ENGLISH CIRCULATING IN THAT DISTRICT AND ON THE WEBSITE AS NOTIFIED BY CG.

COPY OF PROOF FOR SUBMISSION OF AFORESAID DOCUMENTS TO  
INCOME TAX

CHARITY COMMISSIONER

CHIEF ORGANISATION UNDER WHOSE JURISDICTION COMPANY OPERATING.  
THE SAID AUTHORITY CAN MAKE REPRESENTATION TO RD.

DECLARATION BY BOARD THAT NO PORTION OF INCOME OR PROPERTY AS  
BEEN DISTRIBUTED TO MEMBERS AS DIVIDEND OR BONUS.

IN CASE OF ANY SPECIAL STATUS/ PRIVILEGE/ GRANT OBTAINED BY COMPANY  
FROM AUTHORITIES MENTIONED ABOVE A NOC TO BE OBTAINED.

ALL FINANCIAL STATEMENTS AND ANNUAL RETURNS FILINGS TO BE COMPLETE AND  
IN CASE APPLICATION MADE AFTER EXPIRY OF THREE MONTHS FROM PRECEDING  
FINANCIAL YEAR THEN A STATEMENT OF FINANCIAL POSITION TO BE SUBMITTED DULY  
CERTIFIED BY CA NOT OLDER THAN 30 DAYS.

CERTIFICATE FROM PROFESSIONAL OF COMPLIANCE OF ALL  
PROVISIONS.

# *RESTRICTIONS THAT CAN BE IMPOSED BY RD:*

COMPANY NOT TO CLAIM ANY SPECIAL STATUS/CLAIM FROM THE DATE OF CONVERSION.

IN CASE OF ACQUISITION OF ANY IMMOVABLE PROPERTY AT CONCESSIONAL RATE DIFFERENCE BETWEEN COST AND MARKET PRICE TO BE PAID TO SUCH AUTHORITY FROM WHOM IT IS ACQUIRED.

ACCUMULATED PROFITS OR UNUTILISED INCOME TO BE UTILISED FOR SETTLING OUTSTANDING STATUTORY DUES, CREDITORS, SUPPLIERS, SERVICE PROVIDERS, EMPLOYEES AND LASTLY TO LOANS ADVANCED BY PROMOTERS/MEMBERS AND BALANCE TO BE TRANSFERRED TO INVESTOR EDUCATION AND PROTECTION FUND WITHIN 30 DAYS.

*CONVERSION OF  
SECTION 8 COMPANY  
INTO COMPANY OF  
ANY OTHER KIND*

ON RECEIPT OF APPROVAL:

COMPANY TO  
CONVENE GM FOR  
ALTERATION OF  
MOA/AOA

*APPLICATION TO  
ROC AFTER  
APPROVAL OF RD*

FILE APPLICATION TO  
ROC IN INC 20 WITH  
ORDER OF RD AND  
AMENDED MOA/AOA.

FRESH CERTIFICATE OF  
INCORPORATION TO BE  
ISSUED BY ROC.

# *CONTRAVENTION OF PROVISIONS*

REVOCAION OF LICENSE AND CONVERT THE STATUS TO INCLUDE THE NAME LIMITED OR PRIVATE LIMITED.

ORDER FOR AMALGAMATION OF COMPANY WITH SIMILAR OBJECTS.

ORDER FOR WINDING UP.

SECTION 8 COMPANY AND OFFICER IN DEFAULT IS LIABLE FOR PENALTY. IN CASE OF COMPANY FINE OF RS.10 LACS AND MAY EXTEND TO RS.1 CRORES AND IN CASE OF DIRECTORS OR OFFICER IN DEFAULT FINE OF NOT LESS THAN 25000 CAN EXTEND TO RS.25 LACS. PENALTY OF PUNISHMENT REMOVED BY COMPANIES AMENDMENT ACT, 2020.

# THANK YOU



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