



Date: 18 March 2021

Virtual coaching Classes Organised by BoS, ICAI

FOUNDATION Level Paper 2a: BUSINESS LAWS

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THE COMPANIES ACT, 2013

PART - I



Session Layout

FEATURES

CORPORATE
VEIL THEORY

CLASSES OF
COMPANIES

SHARE
CAPITAL &
SHARES

MEMORANDUM
& ARTICLES OF
ASSOCIATION



Salient Features

1. BODY CORPORATE



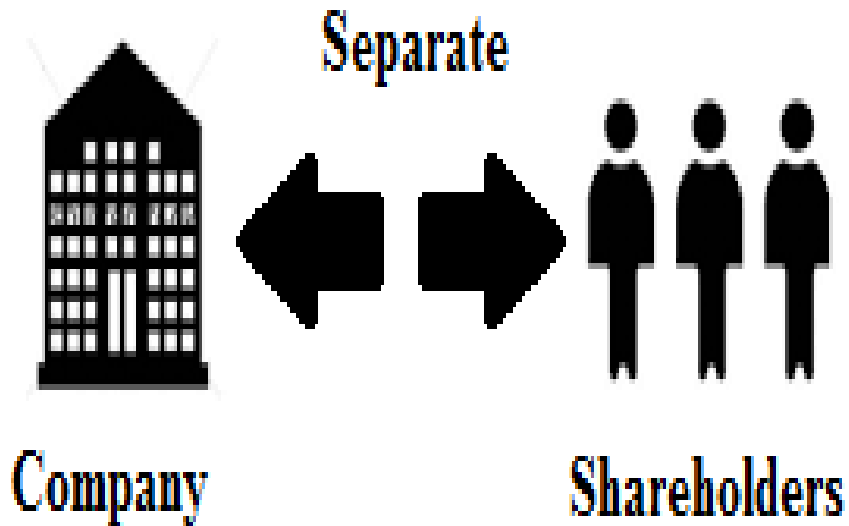
2. PERPETUAL SUCCESSION





Salient Features

3. SEPARATE LEGAL ENTITY

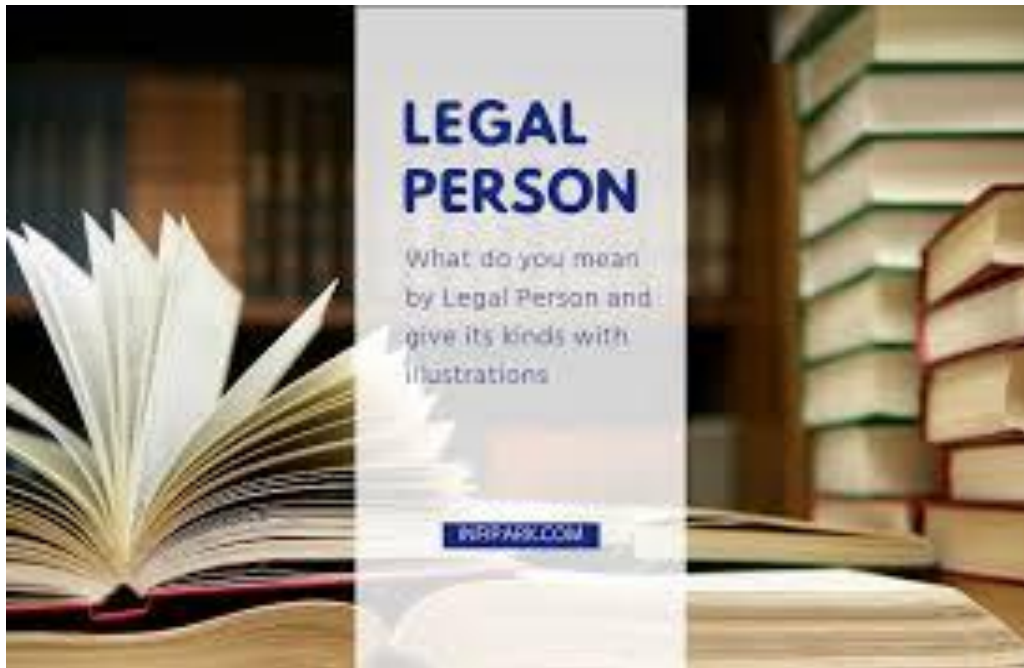


- Macaura Vs. Northern Assurance Co. Limited (1925)



Salient Features

4. ARTIFICIAL LEGAL PERSON



- Can own property
- Sue and be sued
- Enter into contracts
- Act through human agency



Salient Features

5. COMMON SEAL

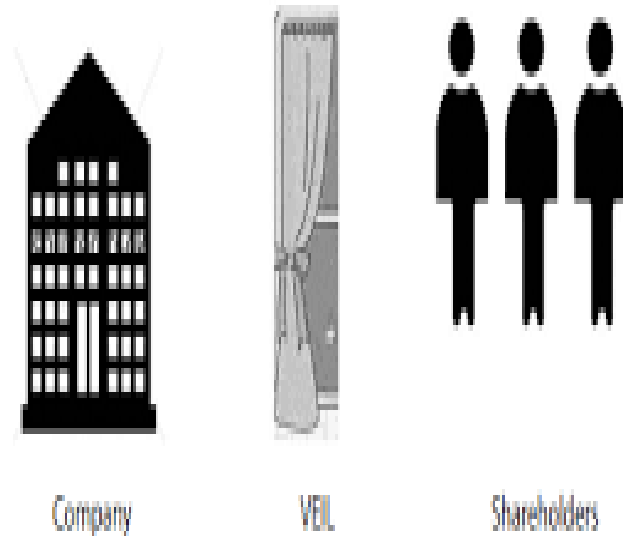


6. LIMITED LIABILITY





CORPORATE VEIL THEORY



Salomon Vs. Salomon and Co. Ltd

A company has its own existence and a shareholder cannot be held liable for the acts of the company

Can the Veil of corporate personality be lifted ?



LIFTING OF CORPORATE VEIL

Reasons	Examples
1. To determine the character of the company	Trading with enemy
2. To Protect Revenue	Tax Evasion
3. To avoid a legal obligation	Avoid labour laws
4. Formation of subsidiaries to act as agents	Merchandise Transport Limited Vs. British Transport Commission
5. Formed for fraud/ improper conduct	Illegal activities



LIFTING OF CORPORATE VEIL

**Daimler Co Ltd. Vs
Continental Tyre &
Rubber Co.**(Alien enemy
case law reference)

**Dinshaw Maneckjee
Petit**(To protect revenue
or evade taxes)

**Gilford motor Co. Vs
Horne** (Fraud
/Misconduct)



CLASSES OF COMPANIES

ON THE BASIS OF INCORPORATION

- Registered Companies
- Statutory Companies
- Chartered Companies

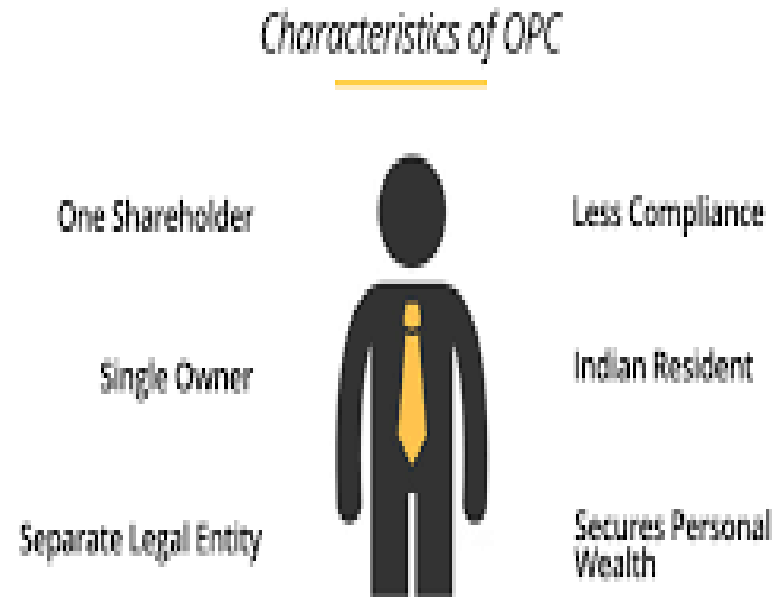
ON THE BASIS OF LIABILITY

- Limited by Shares
- Limited by Guarantee
- Unlimited Companies



ONE PERSON COMPANY

To encourage entrepreneurship
Separate legal entity with limited liability feature



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PRIVATE AND PUBLIC COMPANY

- Public Company means :
 - NOT a Private Company
 - Min. Paid up Capital
 - Subsidiary of a Public Company deemed to be a Public Company
 - Min 7 and Max. unlimited
- No min. Paid up capital
 - Min 2 and max 200 (excluding employees)
 - Right to transfer shares restricted
 - Prohibition on invitation to subscribe to securities of the company



HOLDING AND SUBSIDIARY COMPANY

- Controls the composition of BOD
- More than half of total Voting Power
- Subsidiaries's Subsidiary

SUBSIDIARIES

Major International Acquisitions :

- **Tata Steel Europe (formerly Corus PLC in 2007)**
- Tata Steel Thailand (formerly Millennium Steel in 2005)
- Nat Steel Holdings, Singapore (in 2004)

Other Subsidiaries :

- Tata Sponge Iron Limited
- Tata Metaliks
- Tata Steel KZN Pte Limited
- TRL Krosaki Refractories Limited
- The Tinplate Company of India Limited
- Tata Steel Processing & Distribution Limited



ASSOCIATE COMPANY

- Significant Influence but not subsidiary
- Significant influence : at least 20% total voting power or control of or participation in business decisions under agreement
- Includes Joint Venture



LISTED AND UNLISTED COMPANIES



- Securities listed on Stock Exchange



GOVERNMENT COMPANY



- Not less than 51% of PUC by
- Central Government
- Partly
- Includes subsidiary of Govt. Company
- State Govt. (s)



FOREIGN COMPANY & SEC. 8 COMPANY

- Company registered outside India but having a place in India
- Promote Charitable objects of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment (FICCI, National Sports Club of India, CII)



SMALL COMPANY

- Other than a public company
- PUC not exceed INR 50 Lakh – INR 10 Crore and
- TO does not exceed INR 2 Crore – 100 Crore

Should not be :

- Holding or Subsidiary Co
- Sec. 8 Company
- BC governed under any special Act



DORMANT COMPANY & NIDHI COMPANIES & PFI

- Where a company is formed for a future project or to hold assets or intellectual company and has no significant transaction – dormant company status
- "Nidhi" or "Mutual Benefit Society" means a company which the Central Government may, by notification in the Official Gazette, declare to be a Nidhi or Mutual Benefit Society, as the case may be.
- LIC, IDFC (Public Financial Institutions)



Thank You