

## **N D A Update – Amendments in Companies Act relating to remuneration to Directors**

MCA has issued two notifications on 18<sup>th</sup> March 2021 relating to remuneration to non executive directors including independent directors.

Section 197(3) has been amended so as to prescribe remuneration to “any other non-executive director, including an independent director” in case of loss or inadequate profits during a financial year subject to provisions of Schedule V of the Act.

Schedule V has also been amended so as to replace the words “managerial person or persons” wherever used with the words “managerial person or persons or other director or directors”. In Schedule V, the limit of yearly remuneration to the other director or directors based on slab of effective capital has been notified which till now was for managerial person only. It has also been clarified that the term “or other director” shall mean a non-executive director or an independent director.

The remuneration payable to directors in case of “absence or inadequacy of profits” is as under:

<b>Effective capital (in Rs)</b>	<b>Limit of yearly remuneration payable in case of a managerial person not exceeding (in Rs)</b>	<b>Limit of yearly remuneration payable in case of other director not exceeding (in Rs)</b>
Negative or less than 5 crores	60 lakhs	12 Lakhs
5 crores and above but less than 100 crores	84 lakhs	17 lakhs
100 crores and above but less than 250 crores	120 lakhs	24 lakhs
More than 250 crores	120 lakhs plus 0.01% of the effective capital in excess of Rs.250 crores	24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores

[http://www.mca.gov.in/Ministry/pdf/AmendmentNotification\\_19032021.pdf](http://www.mca.gov.in/Ministry/pdf/AmendmentNotification_19032021.pdf)

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