

Companies Act 2017 Significant Amendments, May 2020



Table of Contents

Audit & Financial Statements.....	5
Appointment and Qualification of Auditors	5
Chief Executive Appointment by Government	6
Commencement of Business	6
SECP Powers Transferred to Court	6
Common Seal	6
Deleted Sections	6
Directors.....	7
Dividend	8
Filings.....	8
Foreign Company	8
General Meetings	9
Officer	9
Sec.42 Companies License Revocation	9
Shareholding in Foreign Company	9
Shares	9
Resolutions	10
Startup Company	10
A Summary on Section-wise Significant Changes in Companies Act 2017.....	11-22
Table of Topic-wise Significant Changes in Companies Act 2017.....	23
Table of Sections Deleted from Companies Act 2017	23

Foreword

Pakistan adopted the Companies Act, 1913 right after its creation in 1947. The Companies Act, 1913 remained in operation and existence until the Companies Ordinance, 1984 was promulgated to regulate the corporate entities in Pakistan. The Companies Ordinance, 1984 was a major breakthrough in terms of streamlining of corporate laws keeping in view the local business environment and it governed the corporate regime for more than three decades.

The lawmakers of our beloved Country once again united their brains and promulgated the Companies Act, 2017 which replaced the Companies Ordinance, 1984, yet again coming up with major overhauling of the Supreme Corporate Law as applicable in Pakistan. In continuation of those efforts, the most recent development is the promulgation of Companies (Amendment) Ordinance, 2020 by the President of Pakistan. This ordinance has been promulgated by the President of Pakistan under Article 89 of the Constitution of the Islamic Republic of Pakistan (the Constitution).

The life of amendments introduced through this Ordinance is 120 days unless approved by the Parliament through specific process of law. Under the Constitution, this Ordinance shall be laid before the Parliament for enactment with or without amendments. These amendments shall stand repealed after 120 days of the promulgation date, if not enacted or extended by the Parliament. The Ordinance can be extended only once by either House.

These amendments have been made in the context of Ease of Doing Business. At the same time, certain powers previously given conferred on the Minister in Charge to ease out the process have now been taken away, in most of the cases.

This document contains significant changes in the Companies Act 2017 for the interest of Clients and Associates.



Audit & Financial Statements

Earlier, all private Companies, with paid up capital of not more than one million rupees, were not required to have their financial statements audited by auditor and lay before members in annual general meeting.

Now, above exception is not available to following private companies:

1. public interest company,
2. subsidiary of a public company,
3. holding company of a public company.

Contents of Financial Statements

Now, penalty for non-compliance, regarding contents of financial statements has been increased as under:

Comp Type	New	Old
Listed	Level 3 - Fine up to Rs. 100 million and Rs. 500,000 per day during the period for which default continues	Maximum imprisonment for 2 years and fine of at least Rs. 500,000 and not more than Rs. 5 million.
Other	Level 2 - Fine up to Rs. 500,000 and Rs. 1,000 per day during the period for which default continues	Maximum imprisonment for 1 year and fine of Rs. 100,000

Consolidated Financial Statements

Earlier, consolidate financial statements requirements were not applicable to a private company and its subsidiary, where none of the holding and subsidiary company has the paid-up capital exceeding one million rupees.

Now, after the amendment, the requirements of this section shall be applicable to a company that:

- a) has subsidiary or subsidiaries as defined in clause (68) of sub-section (1) of section 2; or
- b) is required to prepare consolidated financial statements as per applicable accounting and financial reporting framework.

Approval and Authentication of Financial Statements

Earlier, there was a requirement that in case of private Companies having paid up capital not more than one

million rupees, the financial statements shall be accompanied by an affidavit executed by CEO or Director, whoever signed the accounts.

Now this is no more a requirement.

Financial Statements to be Forwarded to the Registrar

Earlier, any private company having paid up capital not exceeding Rs. 10 million was not required to forward financial statements to the Registrar.

Now, following private companies will have to forward financial statements to the Registrar, even if their paid-up capital is not exceeding Rs. 10 million, if such private company is:

1. a public interest Company, or
2. a subsidiary of a public company, or
3. holding Company of a Public Company

Filing of Unaudited Financial Statements

The requirement of filing duly authenticated financial statements, whether audited or not by a private Company not being a subsidiary of public Company,

Appointment and Qualification of Auditors

Appointment of Auditors

Earlier, all Companies were required to place on its website notice given by a member having not less than 10% voting power to propose a person as an auditor.

Now, this requirement is just limited to listed Companies to place such notice on website.

Qualification of Auditors

Earlier, the requirement to appoint a practicing Chartered Accountant or a firm of chartered accountants was for the companies having paid up capital of three million or more.

Now, this requirement is for the private companies having paid up capital more than ten million rupees.

Chief Executive Appointment by Government

First Chief Executive is appointed by the Subscribers of the Company.

Earlier, Government had special provisions to appoint first chief Executive of the public sector company in a specified manner. This specified manner provision has been removed.

Still the Government can appoint first Chief Executive being a subscriber to public sector company.

Earlier, the Government had the power to nominate subsequent CEO in the specified manner, where it had the power to nominate majority of directors on the Board. This special provision has been removed.

The removal of special provision will not have any effect as still Government can appoint its nominated Chief Executive through majority of its directors on the Board.

Commencement of Business

Now, public limited company is required to obtain Certificate of Commencement of business before starting business, like it used to be in Companies Ordinance 1984.

SECP Powers Transferred to Court

Compromise with Creditors and Members

The powers relevant to compromise arrangement between Company and its creditors is now given to Court instead of Commission.

This change is not in line with the spirit of Ease of Doing Business.

Reconstruction and Amalgamation

The powers relevant to Amalgamation and Restructuring arrangements is now given to Court instead of Commission.

This change is not in line with the spirit of Ease of Doing Business.

Common Seal

Common seal requirement has been removed but company can have a common seal to use outside Pakistan bearing territory name.

Deleted Sections



Establishment of Investor Education and Awareness Fund

Section relevant to Establishment of Investor Education and Awareness Fund is deleted.

Mediation and Conciliation Panel

The section of Mediation and conciliation is omitted from Companies Act. Companies can no longer apply to Commission to refer their matter of dispute to Mediation and conciliation panel.

Inactive Company

The section of Inactive Company is deleted from Companies Act. This means, now an inactive Company cannot apply to obtain status of inactive Company, even if that has no significant accounting transactions.

Acceptance of Advances by Real Estate Companies Engaged in Real Estate Project

Section relevant to real state Companies engaged in real estate projects is removed.

Quota for Disable Persons in Public Interest Companies

The section has been removed, being unnecessary.

This is provincial subject and there are already special laws dealing with it.

Directors



Ineligibility of Certain Persons to Become Director

Now, foreign persons who are not required to hold NTN are no more ineligible to become director of a company.

The Clause of ineligibility of a person, who is or whose spouse is engaged in business of brokerage is extended to include Future Market Brokers and their spouses.

Number of Directorships

The maximum number of directorships omitted from Companies Act.

In case of listed companies its already restricted to 7 in Code of Corporate Governance Regulations 2019.

Now, directorships in listed subsidiaries will also be counted.

Independent Directors

Earlier, nominated directors under section 164 and 165 were not considered to be independent director.

Now, Govt. nominee can be considered an independent directors provided that directors meets other conditions of being an independent director.

Disqualification Order

The power of commission to pass disqualification order has been withdrawn in following cases:

- against a person who entered into plea bargain arrangements with NAB has been withdrawn;
- the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return;
- that it is expedient in the public interest so to do.

Resolution by Circulation

Now, if a resolution is to be passed by circulation, this has to be approved by all directors in writing.

Earlier, resolution was just to be signed by all directors instead of approved.

Protection to Independent and Non-Executive Directors

Section regarding protection to independent Director and Non-Executive Directors is removed. Now they have same obligation as other Directors.

Now, Independent and Non-Executive Directors should, ideally, ask their companies to arrange indemnity insurance for them.

Loan to Directors

Earlier, loan to CEO and whole time Director could only be given after resolution passed by members.

Now, there has to be a scheme approved by members. For listed Companies, prior approval of Commission is also required while sanctioning the loan.

Powers of Board

Earlier, Board could exercise certain power like disposal of subsidiary, selling of major assets through general or special approval of members. Now, Special resolution is mandatory for these.

Now, listed Companies cannot dispose of an undertaking, even if they have viable alternate business plan, if this will result in closure of business operations or winding up of Company.

Investment in Associated Company

The Companies Act requires that the return on investment in associated company shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission, whichever is higher and shall be recovered on regular basis in accordance with the terms of the agreement.

Earlier, in case of lesser rate of return than the required, the directors were personally liable to make the payment. Now this has been removed.

Dividend



Withholding Dividend

If declared dividend is not paid within specified period, the CEO of the company shall be punishable with imprisonment which may extend to two years and fine which may extend to five million rupees.

Earlier, CEO was required to file application to the commission with 45 days of declaring dividend to show reasons of failure to pay dividend.

Now, period to make an application to Commission to clear position has been reduced to 15 working days.

Unpaid Dividend Account

Major Changes have been made in respect of unclaimed dividend:

- Company shall transfer unclaimed dividend within fifteen days to a separate profit bearing account specifically opened for this purpose.
- The Company within 90 days of such transfer prepare a statement containing particulars of persons who have not claimed dividends, unclaimed amount and placed it on Company's website.
- The restriction of 10 years is eliminated and now person can file claim to unpaid dividend at any time without time restriction.
- Company shall use profit generated from this account for its corporate social responsibility and other specified purposes.

Handling of Unclaimed Dividends and Undistributed Assets

Earlier, Companies were required to deposit unclaimed dividend or undistributed assets in Federal Government account. Now liquidator can handle this

money within 14 days of filing statement containing particulars of unclaimed dividend and assets to Commission in a manner as may be specified. No need to deposit this into Federal Government account.

Filings

Annual Return

Now, all Companies are required to file annual return irrespective of no change in particulars.

Acceptance of Documents Presented after Prescribed Time

Registrar can accept any document filed after a prescribed time with extra fee as specified under this section. A new sub section is added in this section specifying that additional fee will not be charged in following circumstance:

- a document for which the punishment of imprisonment is provided under this Act; or
- an application required to be filed within a specific time frame provided under this Act or the rules or regulations framed thereunder.

Foreign Company



Documents to be Delivered to Registrar by Foreign Companies

- The list of particulars required for Directors in case of foreign Company is now also required for chief executive.
- The provision that the registrar shall maintain a register of foreign Companies on paper or in any electronic form under this Act in such form and manner as may be specified is added.

Striking off the Name of the Foreign Company by the Registrar

A new section is added giving powers to registrar to strike off the name of a foreign Company in following circumstances;

- the permission issued by relevant authority is cancelled; or
- a Company ceases to operate consequent upon revocation of a license granted by the Commission or any other licensing authority; or
- the Company—
 - (a) has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign states; or
 - (b) is conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or
 - (c) which is carrying a business prohibited by Law
 - (d) which is unable to keep proper accounts or commit fraud; or
 - (e) managed by persons who refuse to act according to the statute, charter or articles of the Company.

General Meetings

Annual General Meeting

Now, listed companies are required to hold AGM only in the town where registered office is situated.

Commission can allow to hold AGM in any other city.

Extraordinary General Meeting

Now, listed companies can hold extraordinary general meeting with notice period less than 21 days after seeking permission from Commission.

Such shorter notice shall also be sent to the Commission, and published in newspapers in addition to sending to members.

Officer

The words “or other authorized officer of a company” deleted. Now, the definition is ‘includes Director, CEO, CFO and Company secretary.

In real sense, removing other authorized officer of a company has no impact as still the definition starts with “includes”.

Sec.42 Companies License Revocation

Now, a Company registered under section 42, on

revocation of its license, can transfer its net assets to any other not for profit company registered under any law.

Earlier, such assets were transferable to another section 42 company, preferably same or identical

Shareholding in Foreign Company

Earlier, every substantial shareholder or office of a Company, who holds any shareholding in a foreign Company was required to report the Company his shareholding or any other interest.

Now, this requirement has been changed substantially and only those persons who have 10% or more shareholding in a foreign company are required to report this fact to company.

In real sense, persons who hold shares in foreign companies will not be required to report anything. As rarely anyone will be holding 10% of the foreign company.

Shares

Return as to Allotment

- Form 3 for allotment of shares is now required to be filed within 30 days instead of 45 days.
- Now, in case of issuance of shares against cash, auditors' certificate is not required. The return of allotment in this case shall be accompanied by declaration from chief executive.

Restriction on transfer of shares by the members of a Private Company

In case, the member has to sell shares to any non-member, due to left over or declined by existing member, the member selling shares to any other person shall ensure that as a result of such sale, the limit of maximum number of members for a private Company shall not be exceeded.

Transfer to Nominee of a deceased member

Earlier, Nominee of a shareholder for transmission in case of death of shareholder was required to be a designated relative. Now he may appoint any person in case he has no relative.

Further Issue of Capital

- Now, if a company likes to offer shares to any non-member, that are declined or not subscribed by existing members, then in case of:
 - Public Limited company:
 - Subject to Commission approval
 - Special resolution
 - Against cash or non-cash
 - Non-cash consideration will be valued by a Valuer
 - Private Limited company:
 - Subject to articles, and
 - Special resolution
 - Against cash or
 - Against consideration other than cash on such conditions and requirements as notified.

Employee Stock Options

Now, any company can issue shares under “Employee Stock Options” by passing a special resolution and subject to its articles of association.

The commission will specify its procedure and conditions.

Buy Back of Own Shares

- Now, all companies can buy its own shares.
- Earlier, only listed Companies were allowed to buy back their own shares.
- The shares purchased by unlisted public company or a private company shall be cancelled.
- Such cancellation of shares shall not be treated as reduction in share capital u/s 89.
- Such shares shall be cancelled in such form and manner as may be specified.
- Listed Company shall buy back through securities exchange and tender mode of buy back is no more allowed.

Resolutions

Special Resolution

Calling a general meeting for special resolution, 21 days’ notice is required.

Now, a company other than listed company, can give shorter period notice, if all shareholders agree.

Further, now listed companies, after seeking permission from Commission, can also issue shorter period notice to pass special resolution.

Notice of Resolution

Now, members having 5%, instead of 10%, voting power can give notice of a resolution to be passed at general meeting.

Resolution by Circulation

Now, if a resolution is to be passed by circulation, this has to be approved by all directors in writing.

Earlier, resolution was just to be signed by all directors instead of approved.

Startup Company



New definition added. Startup Company means a Company that:

- a) is in existence for not more than ten years from the date of its incorporation or such other period or periods as may be specified; and
- b) has a turnover for any of the financial years since incorporation that is not greater than five hundred million rupees or such other amount or amounts as may be specified; and
- c) is working towards the innovation, development or improvement of products or processes or services or is a scalable business model with a high potential of employment generation or wealth creation or for such other purposes as may be specified; or
- d) such other companies or classes of companies as may be notified by the Commission:

Company formed by the splitting up or reconstruction of an existing Company shall not be considered as a startup Company.

Startup companies is a big reality and it was not recognized by Companies Act, thus many challenges were being faced by these companies.

Now, Companies act has recognized and defined a startup company. Certain measures also taken in companies act to boost startups.



We have presented a summary on significant changes in Companies Act 2017 on earlier pages. Now, hereunder, we are presenting significant changes with sections for ease of reading and reference.

Officer

Sec. 2(45)

The words “or other authorized officers of a company” deleted. Now the definition is ‘includes Director, CEO, CFO, and Company secretary.

In a real sense, removing other authorized officer of a company has no impact as still the definition starts with “includes”.

Special Resolution

Sec. 2(66)

Calling a general meeting to a special resolution, 21 days’ notice is required. Now a company other than a listed company can give shorter period notice, if all shareholders agree.

Further, now listed companies, after seeking permission from Commission, can also issue a shorter period notice to pass a special resolution.

Startup Company

Sec. 2(67 A)

New definition added. Startup Company means a Company that:

- (a) is in existence for not more than ten years from the date of its incorporation or such other period or periods as may be specified; and
- (b) has a turnover for any of the financial years since incorporation that is not greater than five hundred million rupees or such other amount or amounts as may be specified; and
- (c) is working towards the innovation, development or improvement of products or processes or services or is a scalable business model with a high potential of employment generation or wealth creation or for such other purposes as may be specified; or
- (d) such other companies or classes of companies as may be notified by the Commission:

Company formed by the splitting up or reconstruction of an existing Company shall not be considered as a startup Company.

Startup companies are a big reality and it was not recognized by the Companies Act, thus many challenges were being faced by these companies.

Now, Companies act has recognized and defined a startup company. Certain measures also taken in companies act to boost startups.

Effect of Memorandum and Articles

Sec. 17

- The condition to deposit subscription money within 30 days removed. The commission will specify the new conditions.
- Certificate of receipt from subscription issued by a practicing Chartered Accountant or a management accountant also not required anymore.
- The clause about the removal of name from the register, due to non-payment, also deleted.

Commencement of Business by Public Company

Sec.19

Now, a public limited company is required to obtain Certificate of Commencement of business before starting a business, like it used to be in Companies Ordinance 1984.

Common Seal

Sec. 23, 203

Common seal requirement has been removed but the company can have a common seal to use outside Pakistan bearing territory name.

Principle Line of Business

Sec. 26

The definition of the principal line of business is altered and it should not be inconsistent or contradictory with the name of the Company. Earlier it was to commensurate with the name.

Revocation of License

Sec. 43

Now, a Company registered under section 42, on the revocation of its license, can transfer its net assets to any other not for profit company registered under any law.

Earlier, such assets were transferable to another section 42 company, preferably with the same or identical objects.

Return as to Allotment

Sec. 70

- Form 3 for allotment of shares is now required to be filed within 30 days instead of 45 days.
- The requirement of auditor certificate in case shares are allotted against cash consideration is removed and now return in this case shall be accompanied by a declaration from the chief executive.

Restriction on transfer of shares by the members of a Private Company

Sec. 76

In case, the member has to sell the share to any non-member, due to leftover or decline by an existing member, the member selling shares to any other person shall ensure that as a result of such sale, the limit of a maximum number of members for a private Company shall not be exceeded.

Transfer to Nominee of a deceased member

Sec. 79

Earlier, Nominee of a shareholder for transmission in case of death of shareholder was required to be a designated relative. Now he may appoint any person, in case he has no relative.

Further Issue of Capital

Sec. 83

- Now, if a company likes to offer shares to any non-member, that are declined or not subscribed by existing members, then in case of:
- Public Limited company:
 - Subject to Commission approval
 - Special resolution
 - Against cash or non-cash
 - Non-cash consideration will be valued by a Valuer
- Private Limited company:
 - Subject to articles, and
 - Special resolution
 - Against cash or
 - Against consideration other than cash on such conditions and requirements as notified.

[These are not yet notified by the Commission.](#)

Employee Stock Options

Sec. 83 A

Now, any company can issue shares under “Employee Stock Options” by passing a special resolution and subject to its articles of association.

The commission will specify its procedure and conditions.

Buy Back of Own Shares

Sec. 86, 88

- Now, all companies can buy back their own shares.
- Earlier, only listed Companies were allowed to buy back their shares.
- The shares purchased by an unlisted public company or a private company shall be canceled.
- Such cancellation of shares shall not be treated as a reduction in share capital u/s 89.
- Such shares shall be canceled in such form and manner as may be specified.
- Listed Company shall buyback through securities exchange and tender mode of buyback is no more allowed.

Annual Return

Sec. 130

Now, all Companies are required to file annual returns irrespective of no change in particulars.

Annual General Meeting

Sec. 132

Now, listed companies are required to hold AGM only in the town where the registered office is situated. Commission can allow to hold AGM in any other place.

Extraordinary General Meeting

Sec. 133

Now, listed companies can hold an extraordinary general meeting with notice period less than 21 days after seeking permission from Commission.

Such shorter notice shall also be sent to the Commission and published in newspapers in addition to sending to members.

Notice of Resolution

Sec. 140

Now, members having 5%, instead of 10%, voting power can give notice of a resolution to be passed at a general meeting.

Ineligibility of Certain Persons to Become Director

Sec. 153

Now, foreign persons who are not required to hold NTN are no more ineligible to become director of a company.

The Clause of ineligibility of a person, who is or whose spouse is engaged in the business of brokerage is extended to include Future Market Brokers and their spouses.

Number of Directorships

Sec. 155

The maximum number of directorships omitted from the Companies Act. In the case of listed companies, it's already restricted to 7 in the Code of Corporate Governance Regulations 2019.

Now, directorships in listed subsidiaries will also be counted.

Independent Directors

Sec. 166

Earlier, the nominated director under section 164 and 165 were not considered to be independent directors.

Now, Govt. nominee can be considered an independent director provided that directors meet other conditions of being an independent director.

Disqualification Order

Sec. 172

The power of the commission to pass disqualification order has been withdrawn in the following cases:

- against a person who entered into plea bargain arrangements with NAB has been withdrawn;
- the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return;
- that it is expedient in the public interest so to do.

A person who enters into a plea bargain with NAB under section 25(b) of NAB Ordinance 1999, is already ineligible to be a director under section 153(e) that reads "has been convicted by a court of law for an offense involving moral turpitude".

Interestingly, if someone voluntarily returns gains u/s 25(a) of NAB Ordinance, then 153(e) is not applicable though the crime nature is the same. Section 25(a) of the NAB ordinance applies when someone comes forward to settle before the investigation stage.

Resolution by Circulation

Sec. 149 & 179

Earlier, members of a public unlisted company were not authorized to pass a resolution by circulation if its members were more than 50.

Now, condition of not more than 50 members has been removed.

Now, if a resolution is to be passed by circulation, this has to be approved by all directors in writing.

Earlier, resolution was just to be signed by all directors instead of approved.

This is significant change as now no resolution by circulation can be considered approved unless everyone approved it in writing.

Protection to Independent and Non-Executive Directors

Sec. 181

Section regarding protection to independent Director and Non-Executive Directors is removed. Now, they have the same obligation just like other Directors.

Now, Independent and Non-Executive Directors should, ideally, ask their companies to arrange indemnity insurance for them.

Loan to Directors

Sec. 182

Earlier, loan to CEO and whole-time Director could only be given after resolution passed by members.

Now, there has to be a scheme approved by members. For listed Companies, prior approval of the Commission is also required while sanctioning the loan.

Powers of Board

Sec. 183

Earlier, Board could exercise certain power like disposal of subsidiary, selling off major assets through general or special approval of members. Now Special resolution is mandatory for these.

Now, listed Companies cannot dispose of an undertaking even if they have a viable alternate business plan if this will result in the closure of business operations or winding up of Company.

Appointment of Chief Executive

Sec. 186, 187

First Chief Executive is appointed by the Subscribers of the Company.

Earlier, Government had special provisions to appoint the first Chief Executive of the public sector company in a specified manner. This specified manner provision has been removed.

Still, the Government can appoint the first Chief Executive being a subscriber to a public sector company.

Earlier, the Government has the power to nominate subsequent CEO in the specified manner, where it had the power to nominate the majority of directors on the Board. The special provision has been removed.

The removal of the special provision will not have any effect as still Government can appoint its nominated Chief Executive through the majority of its directors on the Board.

Investment in Associated Company

Sec. 199

The Companies Act requires that the return on investment in the associated company shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis under the terms of the agreement.

Earlier, in case of a lesser rate of return than the required, the directors were personally liable to make the payment. Now, this has been removed.

Restriction of Non-Cash Transactions Involving Directors

Sec. 211

In case non-cash transactions with Directors, earlier, there was a requirement that the value of non-cash transaction shall be determined by The registered valuer. Now registration is not mandatory and any valuer as notified by Commission can determine the value of consideration.

Financial Statements Audit

Sec. 223

Earlier, all private Companies, with paid-up capital of not more than one million rupees were not required to have their financial statements audited by auditors and lay before members in annual general meeting.

Now, the above exception is not available to following private companies:

1. public interest company,
2. subsidiary of a public company,
3. holding company of a public company.

Contents of Financial Statements

Sec. 225

Now, penalty for non-compliance regarding contents of financial statements has been increased as under:

Company Type	New	Old
Listed	Level 3 - Fine up to Rs. 100 million and Rs. 500,000 per day during the period for which default continues	Maximum imprisonment for 2 years and a fine of at least Rs. 500,000 and not more than Rs. 5 million.
Other	Level 2 - Fine up to Rs. 500,000 and Rs. 1,000 per day during the period for which default continues	Maximum imprisonment for 1 year and a fine of Rs. 100,000

Contents of Directors Report

Sec. 227

The following changes have been introduced in the Companies Act regarding the contents of the directors' report:

1. In case of a public company or a subsidiary of a private company, which is subsidiary of a public company, the disclosure concerning remuneration package of each of the directors and chief executive including but not limited to:
 - a) salary,
 - b) benefits,
 - c) bonuses,
 - d) stock options,
 - e) pension, and
 - f) other incentives
2. in the case of a listed company, the business review must include the legitimate reasons for not declaring dividends under section 240 despite earning profits and prospects of dividend, if any.

If anyone contravenes any provisions of this section, the penalty will be as under:

Company Type	New	Old
Listed	Level 2 - Fine up to Rs. 500,000 and Rs. 1,000 per day during the period for which default continues	Imprisonment which may extend to 2 years and fine which may extend to Rs. 500,000 and 10,000 per day in case of continuing default
Other	Level 1 - Fine up to Rs. 25,000 and Rs. 500 per day during the period for which default continues	Imprisonment which may extend to 1 year and fine which may extend to Rs. 100,000

Consolidated Financial Statements

Sec. 228

Earlier, consolidate financial statements requirements did not apply to a private company and its subsidiary, where none of the holding and subsidiary company has the paid-up capital exceeding one million rupees.

Now, after the amendment, the requirements of this section shall apply to a company that:

- (a) has subsidiary or subsidiaries as defined in clause (68) of sub-section (1) of section 2; or
- (b) is required to prepare consolidated financial statements as per applicable accounting and financial reporting framework.

Approval and Authentication of Financial Statements

Sec. 232

Earlier, there was a requirement that in case of private companies having paid-up capital not more than one million rupees, their financial statements shall be accompanied by an affidavit executed by CEO or Director, whoever signed the accounts.

Now, this is no more required.

Financial Statements to be Forwarded to the Registrar

Sec. 233

Earlier, any private company having paid up capital not exceeding Rs. 10 million was not required to forward financial statements to the Registrar.

Now, following private companies will have to forward financial statements to the Registrar, even if their paid-up capital is not exceeding Rs. 10 million, if such private company is:

1. a public interest Company, or
2. a subsidiary of a public company, or
3. holding Company of a Public Company.

Filing of Unaudited Financial Statements

Sec. 234

The requirement of filing duly authenticated financial statements, whether audited or not by a private Company not being a subsidiary of public Company, having paid-up capital not exceeding Rs. 1 million has now been removed.

Withholding Dividend

Sec. 243

If a declared dividend is not paid within a specified period, the CEO of the company shall be punishable with imprisonment which may extend to two years and fine which may extend to five million rupees.

Earlier, the CEO was required to apply to the commission within 45 days of declaring a dividend to show reasons for failure to pay dividends.

Now, the period to make an application to Commission to clear position has been reduced to 15 working days.

Unpaid Dividend Account

Sec. 244

Major Changes have been made in respect of unclaimed dividend:

- Company shall transfer unclaimed dividend within fifteen days to a separate profit bearing account specifically opened for this purpose.
- The Company within 90 days of such transfer prepares a statement containing particulars of persons who have not claimed dividends, unclaimed amounts, and placed it on the Company's website.
- The restriction of 10 years is eliminated and now a person can file a claim to unpaid dividends at any time without time restriction.
- The company shall use profit generated from this account for its corporate social responsibility and other specified purposes.

Establishment of Investor Education and Awareness Fund

Sec. 245

The section relevant to the Establishment of Investor Education and Awareness Fund is deleted.

Appointment of Auditors

Sec. 246

Earlier, all Companies were required to place on its website notice given by a member having not less than 10% voting power to propose a person as an auditor.

Now, this requirement is just limited to listed Companies to place such notice on the website.

Qualification of Auditors

Sec. 247

Earlier, the requirement to appoint a practicing Chartered Accountant or a firm of chartered accountants was for the companies having paid-up capital of three million or more.

Now, this requirement is for the private companies having paid-up capital more than ten million rupees.

Please note the requirement to appoint auditor is still there, just the qualification criteria has been amended.

Mediation and Conciliation Panel

Sec. 276

The section of Mediation and conciliation is omitted from the Companies Act. Companies can no longer apply to Commission to refer their matter of dispute to Mediation and conciliation panel.

Compromise with Creditors and Members

Sec. 279, 280

The powers relevant to compromise arrangement between the Company and its creditors are now given to court instead of Commission.

This change is not in line with the spirit of the Ease of Doing business.

Reconstruction and Amalgamation

Sec. 282, 283

The powers relevant to Reconstruction and Amalgamation arrangements are now given to court instead of Commission.

This change is not in line with the spirit of the Ease of Doing business.

Handling of Unclaimed Dividends and Undistributed Assets

Sec. 417

Earlier, Companies were required to deposit unclaimed dividend or undistributed assets in the Federal Government account.

Now, liquidator can handle this money within 14 days of filing statement containing particulars of unclaimed dividend and assets to Commission in a manner as may be specified. No need to deposit this into the Federal Government account.

Inactive Company

Sec. 424

The section of Inactive Company is deleted from the Companies Act. This means, now an inactive Company cannot apply to obtain the status of inactive Company even if that has no significant accounting transactions.

Documents to be delivered to Registrar by Foreign Companies

Sec. 435

- The list of particulars required for Directors in the case of foreign companies is now also required for the chief executive.
- The provision that the registrar shall maintain a register of foreign Companies on paper or in any electronic form under this Act in such form and manner as may be specified is added.

Striking off the Name of the Foreign Company by the Registrar

Sec. 443 A

A new section is added giving powers to the registrar to strike off the name of a foreign Company in the following circumstances;

- the permission issued by relevant authority is canceled; or
- a Company ceases to operate consequent upon revocation of a license granted by the Commission or any other licensing authority; or
- the Company—
 - (a) has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign states; or
 - (b) is conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or
 - (c) which is carrying a business prohibited by Law
 - (d) which is unable to keep proper accounts or commit fraud; or
 - (e) managed by persons who refuse to act according to the statute, charter, or articles of the Company.

Companies' Global Register of Beneficial Ownership

Sec. 452

Earlier, every substantial shareholder or office of a Company, who holds any shareholding in a foreign company was required to report the Company his shareholding or any other interest.

Now, this requirement has been changed, substantially and only those persons who have 10% or more shareholding in a foreign company are required to report this fact to the company.

Acceptance of Advances by Real Estate Companies Engaged in Real Estate Project

Sec. 456

Section relevant to real state Companies engaged in real estate projects is removed.

Measures for Greater Ease of Doing Business

Sec. 458 A

A section containing measure for greater ease of doing business is inserted in Companies Act.

Now, notwithstanding anything contained in this Act or any other law for the time being in force, the Commission may implement measures for providing greater ease of doing business, improving regulatory quality and efficiency, and facilitating innovation and the use of technology in conducting business by the corporate sector.

Quota for Disabled Persons in Public Interest Companies

Sec. 459

The section has been removed, being unnecessary.

[This is a provincial subject and there are already special laws dealing with it.](#)

Security Clearance of Shareholder and Director

Sec. 461

Under this section, SECP had the power to require security clearance of any shareholder, director or any other office bearer of a company or class of companies.

Now, this section has been deleted from the Companies Act 2017.

Under this section, SECP used to require security clearance of shareholders and directors of foreign companies before registration.

Now, SECP cannot ask for such security clearance while registering foreign companies. This may compromise National Security.

Acceptance of Documents Presented after Prescribed Time

Sec. 468

Registrar can accept any document filed after a prescribed time with an extra fee as specified under this section. A new subsection is added in this section specifying that an additional fee will not be charged in the following circumstance:

- a document for which the punishment of imprisonment is provided under this Act; or
- an application required to be filed within a specific time frame provided under this Act or the rules or regulations framed thereunder.

Enforcing Compliance with Provisions of Act

Sec. 474

Earlier, Companies were given 30 days by the registrar to make good in case of any default or undo any irregularity.

Now, it is up to the registrar to give time of his own choice.

Review and Revision

Sec. 479 A

A new section is added giving the person against whom any penalty is imposed to apply within 60 days of order to Commission or Federal Government, whichever has passed an order to review penalty order.

Table of Topic-wise Significant Changes in Companies Act 2017

Topic	Relevant Sections
Financial Statements	223, 225, 228, 232, 233, 234
Appointment and Qualification of Auditors	246, 247
Chief Executive Appointment by Government	186, 187
Commencement of Business	19
SECP Powers transferred to Court	279, 280, .282, 283
Common Seal	23, 203
Deleted Sections	245, 276, 424, 456, 459
Directors	153, 155, 166, 172, 179, 181, 182, 183, 199, 227
Dividend	243, 244, 417
Filings	130, 468
Foreign Company	435, 443 (A)
General Meetings	132, 133
Officer	2(45)
Sec.42 Companies License Revocation	43
Shareholding in Foreign Company	452
Shares	70, 76, 79, 83, 83(A), 86, 88
Resolutions	2(66), 140, 149, 179
Startup Company	2(67A)
Not included in significant	2, 8, 17, 26, 31, 32, 37, 38, 42, 48, 62, 102, 177, 135, 137, 139, 154, 158, 161, 167, 194, 201, 211, 215, 237, 254, 258, 281, 284, 285, 287, 291, 292, 337, 339, 341, 372, 374, 413, 418, 426, 434, 451, 457, 458A, 462, 472, 474, 479, 479A, 496, 496A, 497, 499, 504, 507, 515

Table of Sections Deleted from Companies Act 2017

Serial No.	Section	Heading
1	2(32)	Financial Period
2	23	Company to have Common Seal
3	181	Protection to independent and Non- Executive directors
4	215	Liability for Undesired Activities of Shareholders
5	234	Filing of Un-Audited Financial Statements
6	245	Establishment of Investors Education and Awareness Fund
7	276	Mediation and Cancellation Panel
8	424	Inactive Company
9	456	Acceptance of Advances by Real Estate Companies Engaged in Real Estate projects
10	459	The quota for persons with disabilities in Public Interest Companies
11	460	Valuation by registered valuer
12	461	Security Clearance of shareholders and directors

This document is based upon the amendments introduced through an amendments' ordinance. if Parliament approves these amendments with any modification, then we shall issue another document based on amendments introduced through an act of parliament.

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