Companies Act 2013

Companies are regulated by an act called the Companies Act 2013. This act provides rules and regulations regarding the incorporation and management of the companies. It has 29 chapters and 476 sections in it. In this article, we will discuss the Companies Act 2013 it's history, importance and specific rules concerning the corporation.

Companies Act 2013 Overview

The Companies Act 2013 is the law concerning incorporation, dissolution and the running of companies in India. The Act came into force across India on 12th September 2013 and has a few amendments to the previous act of 1956. It was introduced to replace its predecessor so that the act is more in correspondence with the current corporate scenario. This act also aims to encourage the growth and development of the economy by easing the process of setting up and management of an organization.

What are Companies?

A company can be defined as an "artificial person", invisible, intangible, created under law, with a discrete legal entity, perpetual succession and a common seal. Companies Act 2013 has defined a company as any entity which has come into existence under this act or any other company Act.

Types of Companies

The classification of companies into different types is based on various factors, such as liability of members, membership, control, and purpose. The classification of companies helps to determine the applicability of various provisions of the Companies Act 2013 and other applicable laws. Companies can be classified into different types. These are as follows

- One-person Company – It is a type of company which has only one person as to its members.
- Private Company – A private company can have a minimum share capital of up to any amount as decided by the members. It has a maximum members of up to two hundred and a minimum of two is known as a private company. This type of company cannot freely transfer their share to the public.
- Public Company – the company in which 51 or more per cent shares are held or regulated by central or state government is called a public company. Furthermore, this type of company can issue shares to the public. A minimum of seven members are needed to form a public company.

Characteristics of a Company

The Companies Act 2013 is a comprehensive piece of legislation that governs all aspects of the formation and operation of companies in India. It is important for all companies to comply with the provisions of the Act in order to avoid penalties and other legal consequences. Below are the major characteristics of the companies in detail.

- **Separate corporate identity:** Companies have their own legal identity, distinct from their owners. This means that they can enter into contracts, sue and be sued, and own property in their own name.
- **Common seal:** Companies use a common seal to authenticate their documents. This seal is unique to the company and is used to show that a document has been authorized by the company.

- **Perpetual succession:** Companies have perpetual succession, which means that they continue to exist even if their owners change. This is important because it allows companies to enter into long-term contracts and investments.
- **Transferability of shares:** The ownership of a company is divided into shares, which can be easily transferred from one person to another. This makes it easy for people to invest in companies and sell their shares if they need to.
- **Limited liability:** The liability of the owners of a company is limited to the amount they have invested in the company. This means that they are not personally liable for the debts of the company.
- **Capacity to sue and be sued:** Companies have the capacity to sue and be sued in their own names.

History of Companies Act in India

The history of the Companies Act in India began with the Companies Act 1850 provided by the Britishers which was based on the British Companies Act 1844. It was actually based on the British Companies Act 1908. Then it took the statutory form and the Indian Companies Act 1956 came into existence. Further, it was amended and the new app called the Indian Companies Act 2013 was enacted.

Highlights of the Companies Act 2013

Below are the major highlights of the Companies Act 2013 given in a tabular format. In the following table, the timeline and essential highlights related to the Companies Act 2013 is mentioned in detail.

Highlights of the Companies Act 2013	
Passed in Lok Sabha	18 December 2012
Passed in Rajya Sabha	8 August 2013
Total number of sections	More than 470
Total number of chapters	29
Total number of schedules	7
Effective from	12 September 2023
Concerned committee	J.J Irani Committee

Objectives of the Companies Act, 2013

Companies Act 2013 came into being to fulfil different objectives. These objectives are as follows

- To promote the development of the economy
- To encourage transparency and accountability
- To promote high standards of corporate governance
- To recognize new concepts and procedures to support business while protecting the interests of all the stakeholders
- To set up an institutional structure in the form of various authorities, bodies and panels (NCLT and NCLAT)
- To enforce stricter action against fraud and gross non-compliance with company law provisions

Difference between the Companies Act 1956 and 2013

Companies Act 1956 and the Companies Act 2013 have differences in various aspects. These differences are listed below.

Difference Between the Companies Act 1956 and 2013		
Basis of difference	**Companies act 1956**	**Companies act 2013**
Financial year	Companies must have their financial year ending on 31st March of every year.	Companies are permitted to decide their financial year at their discretion
Format of financial statement	Scheduled III	Schedule VI
One person company	The company has one natural person as its member	One person company did not exist as per this act
Issue shares at a discount	Section 53 prohibits the issue of shares at a discount except for employees' stock options	Section 79 permits the issue of shares at a discount
Security premium reserve	Utilization of security premium reserve is provided in section 52 subsection 2	The utilization of security premium reserve is to be done according to Section 77a
Article of association	The companies which are limited by shares can opt for Table A instead of their own article of association	Table A is applied where the company does not adopt the article of association

Conclusion

Hence Companies Act 2013 provides detailed provisions on the regulations and statutory law applicable to companies operating in India. Every organization has to abide by the provisions stated in this act. The Companies Act 2013 is a comprehensive law that regulates the formation and operation of companies in India. It aims to promote transparency, accountability, and good corporate governance, while also protecting the interests of investors and other stakeholders. The Act has played a significant role in the growth and development of the Indian economy, and it is a key pillar of the Indian corporate landscape.