



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

## Corporate Laws & Corporate Governance Committee The Institute of Chartered Accountants of India

19<sup>th</sup> March, 2021

### ANNOUNCEMENT

#### Sub: **Amendment to the Schedule V of the Companies Act, 2013**

This is to inform you that the Ministry of Corporate Affairs has issued a notification dated 18.03.2021 amending the provisions of Schedule V of the Companies Act, 2013.

The amendment in Schedule V is brought pursuant to the changes made by Companies (Amendment) Act, 2020 in the provisions of section 149(3) and section 197(3) of the Act which relates to remuneration of Non-executive Directors (including Independent Directors) in case of absence or inadequate profits which is made effective from 18<sup>th</sup> March 2021.

Accordingly, following changes have been made in part II (Remuneration) of the Schedule V of the Act:

S No.	Section of the Part II of the Schedule V of the Companies Act, 2013	Pre-Amendment	Post Amendment
1	Section I	Subject to the provisions of section 197, a company having profits in a financial year may pay remuneration to a managerial person or persons not exceeding the limits specified in such section.	Subject to the provisions of section 197, a company having profits in a financial year may pay remuneration to a managerial person or persons <b>or other director or directors</b> not exceeding the limits specified in such section.
2	Section II	The provisions were specified only for "managerial person"	The provisions as specified in Schedule II are now extended to "or other director" i.e. (non-executive director or an independent director).  Further Table A, has been substituted to include the 'limit of yearly remuneration payable which shall not exceed in case of other director'.

3	Section III	The provisions were specified only for "managerial person(s)"	<p>The provisions as specified in Section III are now extended to "or other director" i.e. (non-executive director or an independent director)</p> <p>However, the clause (i) of the proviso is still applicable to "managerial person" only.</p>
4	Section III	The term "or other director" was not explained	<p>An explanation has been added defining the term "or other director" which is as follows:</p> <p>Explanation- For the purpose of Section I, II and III, the term "or other director" shall mean a non-executive director or an independent director.</p>

Notification is available at the link-

[http://www.mca.gov.in/Ministry/pdf/AmendmentNotification\\_18032021.pdf](http://www.mca.gov.in/Ministry/pdf/AmendmentNotification_18032021.pdf)

Members may take note of the above.

Sincerely Yours,

Chairman and Vice Chairman  
Corporate Laws & Corporate Governance Committee  
The Institute of Chartered Accountants of India