



13th April, 2013

INTRODUCTION

Note on General Circular No 06/2013 dated 14 March, 2013 issued by the MCA

Clarification under Section 372A(3) of the Companies Act, 1956.

This circular is effective from 14 March, 2013.

Provision u/s. 372A(3)

No loan to any body corporate shall be made at a rate of interest lower than the

prevailing bank rate, being standard rate made public under section 49 of the RBI Act, 1934(2 of 1934).

NEWS

Purpose of the Circular

The Budget 2013-14 authorizes Union Govt to raise Rs. 50,000 crores (Tax free Bonds). These bonds carry a lower rate of interest, currently in the range of 6.75% to 7.50% which is tax free under Section 10(15)(iv) (h) of the Income Tax Act, 1961. Such bonds were also

provided for in Budget 2012-13, but the response had been poor due to restrictions under Section 372A(3) of the Companies Act, 1956.

VIEWS

Clarification

In case where yield ie. the effective rate of return on tax free bonds is greater than the yield on prevailing bank rate, than there is no violation of Sec. 372A(3) of the Companies Act, 1956 and the Companies can invest in these bonds. More.....

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