



## ANNUAL COMPLIANCE CALENDAR

### DORMANT COMPANY

**Dated: March 29, 2025,  
Editorial No 969**

#### **BACKGROUND:**

In this Flash editorial, the Author begins by referring to the provisions of Companies Act, 2013, read with all the Amendment Acts and rules mentioned there till March, 2025.

The Section 455 in Companies Act, 2013 deal with dormant Company. The statutory inclusion of 'dormant' companies appears to be aimed at addressing the menace of vanishing companies in India. The concept of dormant companies appears to be influenced from the (UK) Companies Act, 2006.

#### **Meaning of a Dormant Company:**

According to Section 455 of the Companies Act 2013, where a company is formed and registered under this Act for a future projector to hold an asset or intellectual property and "has no significant accounting transaction", such a company or An Inactive Company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

- **INACTIVE COMPANY:** "Inactive Company" means a company which,
  - has not been Carrying on Any Business or operation, or
  - has not made any Significant Accounting Transaction **During The Last Two Financial Years,**

- 
- has not filed Financial Statements and Annual Returns during the **LAST TWO FINANCIAL YEARS.**

**SIGNIFICANT ACCOUNTING TRANSACTION:** “Significant Accounting Transaction” means any transaction **other than-**

- Payment of Fees by a company to the Registrar;
- Payments made by it to fulfill the requirements of this Act or any other law;
- Allotment of shares to fulfill the requirements of this Act; and
- Payments for maintenance of its office and records.

Above Mention Transactions are ***excluded from*** Significant Accounting Transactions. If a company has made above mention transactions in last two year then also that company will fall under definition of Inactive Company.

### **Why Do Companies Choose to Become Dormant?**

There are various reasons why a company may choose to become dormant. Some of these include:

- **Preserving the company’s name:** By becoming a dormant company, the company can ensure that its name is protected and not used by any other entity during the period of dormancy.
- **Lower compliance requirements:** Dormant companies have fewer compliances to adhere to compared to active companies, which can help reduce administrative burdens and costs.

- **Future business plans:** A company might opt for dormancy if it plans to commence operations or undertake significant business activities at a later date.

## Benefits of Opting for Dormant Company Status

Exploring the advantages of transitioning an active company to a dormant status under the Companies Act, 2013.

- **Preservation of Company Name:** Ensures the company name is protected during inactivity, preventing others from registering the same or a highly similar name.
- **Reduced Compliance Requirements:** Significantly lowers the regulatory burden and compliance obligations under the Companies Act 2013, making maintaining the company easier and more cost-effective.
- **Opportunity for Reactivation:** Offers the flexibility to quickly resume business activities when opportunities arise without establishing a new corporate entity.
- **Limited Applicability of Company Act Provisions:** Only a select few provisions of the Companies Act apply to dormant companies, simplifying legal compliance.
- **Easier Annual Return Filing:** Streamlines the process of filing annual returns, requiring less detailed information compared to active companies.
- **No Auditor Rotation:** Exempts the company from the obligation to rotate auditors, which is required for active companies to ensure auditor independence.
- **Bi-Annual Board Meetings:** Requires only one board meeting every six months, reducing the administrative burden associated with more frequent meetings required for active companies.

## **ANNUAL COMPLIANCES FOR** **DORMANT COMPANY**

Similar to other types of companies, a dormant company is not obligated to submit forms on a quarterly or half-yearly basis, such as MSME-1 or DPT-3. A dormant Company must fulfil the minimum compliance requirements to maintain its inactive status.

Even though dormant companies have fewer compliance requirements than active companies, they still have to meet certain obligations outlined in the Companies Act. Here are some examples:

### **I. Accounting & Financial Statements**

It is essential for companies to keep precise records and hold regular board meetings, even if they are not currently active. It is important to maintain the company's registered address. Therefore, the company will continue to incur administrative expenses, which will require ongoing accounting tasks and the creation of financial statements.

### **II. Board Meeting:**

Dormant Companies are required to Conduct at least one board meeting in each half of the calendar year, with a minimum gap of 90 days between two meetings.

### **III. Maintenance of Statutory Registers:**

Dormant Companies are required maintain statutory registers like: register of Directors, Members, etc.

#### **IV. Statutory Audit**

Even though dormant companies are not required to rotate auditors, they still need to have their financial statements audited by law. Thorough preparation of the company's books, including supporting documentation for all expenses, is necessary to streamline the audit process.

#### **V. Tax Returns**

Even for inactive companies, certain obligations like filing TDS and GST returns still apply. In addition, these entities must file Income Tax Returns just like active companies.

#### **VI. ROC Filings: Annual Returns**

Streamlining the annual ROC filing process can greatly benefit dormant companies. They are required to submit a simplified Annual ROC Return using Form MSC-3, which provides an overview of the company's financial position. This return, as per the requirements of the law, needs to be submitted to the ROC within 30 days after the completion of each financial year. **Due Date for same is 30 April every year.**

The filing should also include:

- A certified true copy of the Board resolution authorising the filing.
- A duly audited financial position statement by a practising Chartered Accountant.
- Any other documents deemed necessary.

**VII. Others:**

Except above mentioned compliances a Dormant Company,

- Shall continue to file the return or returns of allotment and change in directors in the manner and within the time specified in the Act, whenever the company allots any security to any person or there is any change in the directors of the Company.
- Shall have a minimum number of three directors in case of a public company, two directors in case of a private company and one director in case of a One Person Company. The provisions of the Act In relation to the rotation of auditors shall not apply on dormant company.

Non-compliance with the requirements of a dormant company can lead to penalties, fines, and even the loss of dormant status. The company may also be subject to legal proceedings and regulatory action if it fails to meet its obligations under the Companies Act.

**Author** - CS Divesh Goyal, GOYAL DIVESH & ASSOCIATES Company Secretary in Practice from Delhi and can be contacted at [csdiveshgoyal@gmail.com](mailto:csdiveshgoyal@gmail.com)).

**Disclaimer:** The entire contents of this document have been prepared based on relevant provisions and as per the information existing at the time of the preparation. Although care has been taken to ensure the accuracy, completeness, and reliability of the information provided, I assume no responsibility, therefore. Users of this information are expected to refer to the relevant existing provisions of applicable Laws. The user of the information agrees that the information is not professional advice and is subject to change without notice. I assume no responsibility for the consequences of the use of such information.

**IN NO EVENT SHALL I SHALL BE LIABLE FOR ANY DIRECT, INDIRECT, SPECIAL OR INCIDENTAL DAMAGE RESULTING FROM, ARISING OUT OF OR IN CONNECTION WITH THE USE OF THE INFORMATION**