General Circular No. 04/2015

No. 1/32/2013-CL.V
Government of India
Ministry of Corporate Affairs

5th floor, `A' wing, Shastri Bhavan
New Delhi – 110001
Dated: 10/03/2015

To

All Regional Directors,
All Registrar of Companies,
All Stakeholders.

Subject : Clarification with regard to section 185 and 186 of the Companies Act, 2013 – loans and advances to employees - reg.

Sir,

This Ministry has received a number of references seeking clarification on the applicability of provisions of section 186 of the Companies Act, 2013 relating to grant of loans and advances by Companies to their employees.

2. The issue has been examined and it is hereby clarified that loans and/or advances made by the companies to their employees, other than the managing or whole time directors (which is governed by section 185) are not governed by the requirements of section 186 of the Companies Act, 2013. This clarification will, however, be applicable if such loans/advances to employees are in accordance with the conditions of service applicable to employees and are also in accordance with the remuneration policy, in cases where such policy is required to be formulated.

3. This issues with the approval of the Secretary.

Yours faithfully,

(KMS Narayanan)
Assistant Director
Phone : 011-23387263

Copy to :

1. PSO to Secretary
2. PS to JS(M)/JS(B)/JS(A)/JS(SP)/DII(NS)/DII(P)
3. E-Gov Cell for uploading on the MCA website
4. Guard File.