

LEGAL ACTS GOVERNING BUSINESS IN INDIA



LIST

- Companies Act, 2013
- Indian Contract Act
- SEBI Act
- Competition Act
- Income Tax Act
- FEMA
- SCRA



I. COMPANIES ACT, 2013

- The **Companies Act 2013** is an Act of the Parliament of India on Indian company law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company.¹
- The 2013 legislation has stipulations for increased responsibilities of corporate executives in the IT sector, increasing India's safeguards against organized cyber crime by allowing CEO's and CTO's to be prosecuted in cases of IT failure.



SALIENT FEATURES OF COMPANIES ACT, 2013

1. **More power for Shareholders:** The Companies Act 2013 provides for approvals from shareholders on various significant transactions.
2. **Women empowerment in the corporate sector:** The Companies Act 2013 stipulates appointment of at least one woman Director on the Board (for certain class of companies).
3. **Corporate Social Responsibility:** The Companies Act 2013 stipulates certain class of Companies to spend a certain amount of money every year on activities/initiatives reflecting Corporate Social Responsibility.



4. **National Company Law Tribunal:** The Companies Act 2013 introduced National Company Law Tribunal and the National Company Law Appellate Tribunal to replace the Company Law Board and Board for Industrial and Financial Reconstruction. They would relieve the Courts of their burden while simultaneously providing specialized justice.
5. **Fast Track Mergers:** The Companies Act 2013 proposes a fast track and simplified procedure for mergers and amalgamations.
6. **Cross Border Mergers:** The Companies Act 2013 *permits* cross border mergers, both ways; a foreign company merging with an India Company and vice versa but with prior permission of *RBI*.



7. **Increase in number of Shareholders:** The Companies Act 2013 increased the number of maximum shareholders in a private company from 50 to 200.
8. **Limit on Maximum Partners:** The maximum number of persons/partners in any association/partnership may be upto such number as may be prescribed but not exceeding *one hundred*.
9. **One Person Company:** The Companies Act 2013 provides new form of private company, i.e., one person company. It may have only one director and one shareholder. The Companies Act 1956 requires minimum two shareholders and two directors in case of a private company.
10. **Electronic Mode:** The Companies Act 2013 proposed E-Governance for various company processes like maintenance and inspection of documents in electronic form, option of keeping of books of accounts in electronic form, financial statements to be placed on company's website, etc.



II. INDIAN CONTRACT ACT

- The Indian Contract Act occupies the most important place in the Commercial Law. Without contract Act, it would have been difficult to carry on trade or any other business activity and in employment law. It is not only the business community which is concerned with the Contract Act, but it affects everybody.
- The objective of the Contract Act is to ensure that the rights and obligations arising out of a contract are honored and that legal remedies are made available to those who are affected. According to Indian Contract Act, 1872 Section 1, this Act may be called the Indian Contract Act, 1872.



IMPORTANT TERMS

○ Contract

A "contract" is an agreement enforceable by law. The agreements are not enforceable by law are not contracts. An "agreement" means 'a promise or a set of promises' forming consideration for each other. In other words, an agreement consists of an 'offer' and its 'acceptance'.

○ Offer

An "offer" is the starting point in the process of making an agreement. Every agreement begins with one party making an offer to sell something or to provide a service, etc.



○ Acceptance

An agreement emerges from the acceptance of the offer. "Acceptance" is thus, the second stage of completing a contract. An acceptance is the act of manifestation by the offeree of his assent to the terms of the offer. It signifies the offeree's willingness to be bound by the terms of the proposal communicated to him.

○ Agreement

An "agreement" is a contract if 'it is made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and is not expressly declared to be void'. The contract must be definite and its purpose should be to create a legal relationship. The parties to a contract must have the legal capacity to make it. minors; persons of unsound mind and Persons disqualified from contracting by any law are incompetent to contract.



○ Consent

Consent is very important part of the contract. The contracts become Void if misrepresentation, mistake or anything like this the fraud will be committed. If the general essentials ingredients of a contract are fulfilled, a valid legal contract is formed and it becomes affective from date it is signed.

○ Consideration

Mutual and lawful consideration for agreement, it should be enforceable by law. Hence, intention should be to create legal relationship. Agreements of social or domestic nature are not contracts, Parties should be competent to contract, and contract should not have been declared as void under Contract Act or any other law is also important elements of a valid contract. The contract becomes Void if any of these elements are not fulfilled.

