MANDATORY COMPLIANCES FOR PRIVATE LIMITED:

*If you are a **Nil Turnover Company** – Still Mandatory Compliances are Applicable*

Many businesses or start-ups may not operate in their initial stage for one or the other reason or can be loss-making for some obvious reasons. In this stage, the owners tend to spend the least amount on compliance part. Therefore, a question of fulfilling compliance arises now and then. Let's get an answer to this question of *Do I need to file ITR and fulfil annual compliance for a company with no transaction?*

In one word, the answer is **YES**. If you are still finding logic on why this is required, here you can answer yourself. I repeatedly ask this question to our clients that unless you file reports to Ministry, how it will know about no transactions. Maybe this question would surely make you realise why this is mandatory for all businesses. If that is also not reasonable for you, it is mandatory and therefore filing is necessary. You will also know the consequences of non-filing by the end.

For a company, the compliance parts can be divided in following;

1. Accounts and Audit
2. Income Tax Return filing
3. Annual Compliance

Let's get into detail for every individual part and know its requirements.

1. Accounts and Audit

Although there may be no turnover or profitable transaction, a company must keep its books of accounts up-to-date. The accounts consist of all those transactions undertaken by the company during the whole year, which consists

- Even a single transaction of paying rent or employee's/ director's salary or otherwise
- Preliminary expenses and the issue of shares for newly registered companies
- Preparation of Financial Statements including Balance Sheet providing the company's financial position on Financial Year closure.

Every financial year is closed on 31st March of every calendar year. The first financial year is generally closed on the immediate next 31st March. However, for companies registered between January to March, it can be closed on the 31st March of next calendar. Get here an idea from an example.

Month of Incorporation	First Financial Year Closure
January – March, 2020	31st March, 2021
April – December, 2021	31st March, 2021
January – March, 2021	31st March, 2022

For any company incorporated in India, Audit is a mandatory and imperative process. Whether there is any profit or not, the appointment of an auditor will be mandatory for the company. On the basis of said audited financial statements, the statutory filings of ITR and Annual Compliances are made.

2. Income Tax Return Filing

Filing Income Tax Return by any company is also a mandatory requirement, irrespective of the amount to taxability of income. As the provisions of Audit are applicable to every company, the due date for ITR by companies is set as 30th September. **For Financial Year 2017-18 the last date is 30th September, 2018.** If the company delays in ITR filing for prescribed due date, it has to pay INR 5,000 as the late fee, which can further be extended to INR 10,000 for filings after December. The late fee is INR 1,000 for small business having with an income up to INR 5 Lakh.

3. Annual Compliance

Annual Compliance for a Private Limited Company follows the Audit and Annual General Meeting. Where it includes two forms – AOC-4 (filing financial statements) and MGT-7 (filing an annual return), Filing of DIR 3 KYC, Holding Board Meetings every Quarterly, and an intimation of auditor's appointment (ADT-1), is also necessary for new companies and where an auditor is newly appointed.

Since its first financial year closure, the company has to fulfil all the annual compliance. For this purpose, the company is required to hold an Annual General Meeting once the audited accounts are presented in Board Meeting. In the AGM, the members will adopt the said financial statement, which will further be uploaded with MCA in given time. From AGM to form filing, there is a timeline prescribed. Check out the dates here:

Compliance Details	Due Date of compliance	Due date for F.Y. 2020-21
Conducting an Annual General meeting	Within 6 months of Financial Year End* (Gap between two AGM shall not exceed 15 months)	30th September, 2021 (or within 15 months of previous AGM)
Intimation of Auditor's Appointment or re-appointment (if any)	Within 15 days of AGM held	Not later than 14th October, 2021
AOC-4 (filing financial statements)	Within 30 days from the conclusion of the AGM	29th October, 2021
MGT-7 (filing annual return)	Within 60 days from the conclusion of the AGM	28th November, 2021

**If the company is to close its first Financial Year, AGM can be held within 9 months of F.Y. end i.e. 31st December, 2021 for F.Y. 2020-21.*

What are the consequences of non-filing?

As mentioned earlier, for a delay in ITR filing one has to pay the additional fee of INR 5,000. Additionally, the company has to forgo all the benefits offered because of regular ITR filing, such as carry forward of losses and more.

When we talk about Annual Compliance, below listed are the consequences:

- Hefty additional Government fee of INR 100/day for each day of delay is charged at the time of filing.
- Continuous non-filing of annual compliance forms leads to disqualification of the director. It can also lead to strike-off of the company name by Registrar's order. In recent times, MCA has taken many steps whereby, list of more than 1 Lakh disqualified directors and companies under strike-off has been provided.

- On failure to file the annual return of the company, the company is punishable with a fine not less INR 50,000 and which may extend to INR 500,000.
- Further, the office in default (director) is also punishable with the same fine or imprisonment of a term which may extend to 6 months or both.

Hence, instead of paying the hefty amount of penalties for delays, one better choose to fulfil the compliance on time. Whether a company's business turns to zero or ranges in millions, given list of annual compliances for a Private Limited Company must be fulfilled.

If you are looking to fulfil the annual compliance for a Private Company or One Person Company, feel free to be in touch with team **Taxadvocate.in.** The team of Company Secretaries and Chartered Accountants are here to help you from accounts, audit to annual compliance. Simply write to us at **info@taxadvocate.in** and our executive will serve you with the best customised services.

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