

#GTRegulatoryUpdate

Remuneration to non-executive and independent directors

Introduction

The Ministry of Corporate Affairs notified amendment in Schedule V of the Companies Act, 2013 (CA 2013) on 18 March 2021 and also appointed 18 March 2021 as the date on which Section 32 and 40 of the Companies Amendment Act, 2020 (CAA 2020) comes into effect.

Highlights of the amendments

Remuneration to independent directors (Section 32 of the CAA2000):

In case of no profits or inadequate profits, companies may pay remuneration to its independent directors, which would be in addition to sitting fees. Earlier, independent directors were only eligible for sitting fees.

Remuneration to non-executive director and independent directors in case of absence or inadequacy of profits (Section 40 of CAA2020):

Amendment in section 197 of CA 2013

- **Amendment to Schedule V:** Amendments made to include non-executive director or an independent director for payment of remuneration as under:

Where the effective capital is	Limit of yearly remuneration payable shall not exceed in case of a managerial person	Limit of yearly remuneration payable shall not exceed in case of other director
Negative or less than INR 5 crore	INR 60 lakh	INR 12 lakh
INR 5 crore and above but less than INR 100 crore	INR 84 lakh	INR 17 lakh
INR 100 crore and above but less than INR 250 crore	INR 120 lakh	INR 20 lakh
INR 250 crore and above	INR 120 lakh plus 0.01% of the effective capital in excess of INR 250 crore	INR 24 lakh plus 0.01% of the effective capital in excess of INR 250 crore