

Set- A- Corporate and Economic Laws

Answers

Answer Key 1

Question No.	Answer	Reasoning
1.1	(c)	According to Section 151 of the Companies Act, 2013 read with Rule 7 of the Companies (Appointment and Qualification of Directors) Rules, 2014, A listed company may, upon notice of not less than: (a) one thousand small shareholders; or (b) 1/10th of the total number of such shareholders, whichever is lower, have a small shareholders' director elected by the small shareholders. However, a listed Company may opt to have a director on suo moto representing small shareholders. The term "small shareholders" means a shareholder holding shares of nominal value of not more than Rs. 20,000 or such other sum as may be prescribed. According to Rule 7, no holding of shares is necessitated for the proposed person to be appointed as SSD. Proposal to appoint Mr. Amar as a Small Shareholders' Director In the instant case, since 50 small shareholders have proposed to appoint Amar as their representative, the said proposal is valid and can be adopted as 1/10th of 500 small shareholders comes to 50 and also no holding of shares is necessitated for appointment of Mr. Amar as SSD.
1.2	(b)	According to Section 151 of the Companies Act, 2013 read with Rule 7 of the Companies (Appointment and Qualification of Directors) Rules, 2014, A listed Company may opt to have a director on suo moto representing small shareholders.

Answer Key 2

Question No.	Answer	Reasoning
2.1	(b)	As per Section 2(78) of the Companies Act, 2013, (the Act) the term "Remuneration" means any money or its equivalent given or passed to any

		person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961. Further, as per Section 197(13) of the Act, where any indemnification insurance is taken by a Company on behalf of Managing Director or other managerial personnel, the premium therefor paid by the Company shall not form part of the remuneration payable to any such personnel, if that person is proved not to be guilty during the year of insurance coverage. In the light of the provided information in the problem and as per Section 197 read with Schedule V to the Companies Act, 2013, the computation of the amount that would constitute the yearly remuneration of Mr. Vivek in PCR Limited for the FY 2021-2022 will be as under: <table border="1"> <thead> <tr> <th>Sl.No.</th><th>Particulars</th><th>In (proportionate to 10 months as the MD has taken charge of the post w.e.f. 01.06.2021)</th></tr> </thead> <tbody> <tr> <td>1.</td><td>Salary</td><td>50,00,000</td></tr> <tr> <td>2.</td><td>Rent Free Accommodation</td><td>5,00,000</td></tr> <tr> <td>3.</td><td>Children Education Allowance</td><td>2,50,000</td></tr> <tr> <td>4</td><td>Leave Travel Concession Package (not pro-rated for 2021-22 as per the question)</td><td>3,00,000</td></tr> <tr> <td></td><td>Total yearly remuneration of Mr. Vivek</td><td>60,50,000</td></tr> </tbody> </table>	Sl.No.	Particulars	In (proportionate to 10 months as the MD has taken charge of the post w.e.f. 01.06.2021)	1.	Salary	50,00,000	2.	Rent Free Accommodation	5,00,000	3.	Children Education Allowance	2,50,000	4	Leave Travel Concession Package (not pro-rated for 2021-22 as per the question)	3,00,000		Total yearly remuneration of Mr. Vivek	60,50,000
Sl.No.	Particulars	In (proportionate to 10 months as the MD has taken charge of the post w.e.f. 01.06.2021)																		
1.	Salary	50,00,000																		
2.	Rent Free Accommodation	5,00,000																		
3.	Children Education Allowance	2,50,000																		
4	Leave Travel Concession Package (not pro-rated for 2021-22 as per the question)	3,00,000																		
	Total yearly remuneration of Mr. Vivek	60,50,000																		
2.2	(b)	Computation of excess Remuneration paid to Mr. Vivek It is provided that the Company has suffered losses during the FY 2020-2021 and 2021-2022 and the effective capital of the Company as at 31st March, 2021 is in negative. So, as per the Act read with Schedule V, the maximum yearly managerial remuneration payable to Mr. Vivek shall be `60 Lakhs including perquisites.</p> <p>From the above table of computation, the total yearly remuneration of Mr. Vivek is arrived `60,50,000 (pro-rated) and whereas, for the year 2021-2022, Mr. Vivek will be entitled for maximum remuneration payable not exceeding ` 50 lakhs per annum (pro-rated for 10 months). Thus, the excess remuneration paid to Mr. Vivek is Rs. 10,50,000/- [i.e.Rs. 60,50,000 (-) Rs.50,00,000].																		
2.3	(d)	As per Sections 197(9) and 197(10) of the Companies Act, 2013, where the remuneration received by any director is in excess of the limit it shall be refunded to the Company by such director and till that time he holds it in trust for the Company. The Company shall not waive the recovery of any sum which is refundable to it unless the waiver is approved by a Special Resolution passed by the Company within two years from the date the sum becomes refundable.																		

Answer Key 3

Question No.	Answer	Reasoning
3.1	(c)	As per section 244 of the Companies Act, 2013- (1) provides that the following members of a company shall have the right to apply under section 241, namely:— (a) in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares.
3.2	(c)	Again coming to section 244(1) which provides that- The following members of a company shall have the right to apply under section 241, namely:— (a) in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares. Here, Dharmesh alone is having more than one-tenth share capital i.e. 2 lakh shares of having the face value of Rs 20 lakh, hence he is eligible to apply to the Tribunal.
3.3	(d)	Section 242(2) provides that – (2) Without prejudice to the generality of the powers under sub-section (1), an order under that sub-section may provide for— (e) the termination, setting aside or modification, of any agreement, howsoever arrived at, between the company and the managing director, any other director or manager, upon such terms and conditions as may, in the opinion of the Tribunal, be just and equitable in the circumstances of the case; (f) the termination, setting aside or modification of any agreement between the company and any person other than those referred to in clause (e): Provided that no such agreement shall be terminated, set aside or modified except after due notice and after obtaining the consent of the party concerned.

3.4	(d)	Section 243 (1) provides that- Where an order made under section 242 terminates, sets aside or modifies an agreement such as is referred to in sub-section (2) of that section,— (a) such order shall not give rise to any claims whatever against the company by any person for damages or for compensation for loss of office or in any other respect either in pursuance of the agreement or otherwise.
3.5	(d)	Section 243 (1A) provides that the person who is not a fit and proper person pursuant to sub-section (4A) of section 242 shall not hold the office of a director or any other office connected with the conduct and management of the affairs of any company for a period of five years from the date of the said decision. Section 242(4A) provides that at the conclusion of the hearing of the case in respect of sub-section (3) of section 241, the Tribunal shall record its decision stating therein specifically as to whether or not the respondent is a fit and proper person to hold the office of director or any other office connected with the conduct and management of any company.

Answer Key 4

Question No.	Answer	Reasoning
4.1	(b)	(b) It shall be in order, if the Company provides copies of the written Memorandum setting out the terms and conditions of the services for inspection. Reason – Section 190 (1) company shall keep at its registered office a contract of service with a managing or whole-time director is in writing, a copy of the contract; and where such a contract is not in writing, a written memorandum setting out its terms. It is worth noting that the copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.
4.2	(d)	The Board of Directors of SL shall exercise the power of disposing of its investment in SCPL, considering SCPL as an undertaking of LSL, only with the consent of the company by a Special Resolution. Reason – Section 180(1)(a) The Board of Directors of a company shall exercise the powers to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings only with the consent of the company by a special resolution.
4.3	(a)	The decision of the Board is correct because no act done by a person as a Director shall be deemed to be invalid if it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification, etc.

		Reason – Section 176 No act done by a person as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles of the company.
4.4	(c)	SL was required to disclose all the sums totaling Rs. 14,00,000 as political contributions. Reason – Section 182 (2) Political Contribution shall include a donation or subscription or payment caused to be given by a company on its behalf or on its account to a person who, to its knowledge, is carrying on any activity which, at the time at which such donation or subscription or payment was given or made, can reasonably be regarded as likely to affect public support for a political party shall also be deemed to be contribution of the amount of such donation, subscription or payment to such person for a political purpose; or/and The amount of expenditure incurred, directly or indirectly, by a company on an advertisement in any publication, being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like, shall also be deemed, where such publication is by or on behalf of a political party, and where such publication is not by or on behalf of, but for the advantage of a political party.
4.5	(a)	Ramesh opinion is correct stating that there is no need for such disclosure of the interest of his son, Rajesh, as compliance is only w.r.t the director of the company. Reason: As per section 184 of the Companies Act, every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into— (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or (b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

Question No.	Answer	Reasoning
5.1	(a)	PQR Traders Private Limited cannot become a member of Paavan Nidhi Limited. Reason – Rule 8 (1) of Nidhi Rules 2014 A Nidhi shall not admit a body corporate or trust as a member. Therefore PQR Traders Private Limited (being body corporate) cannot become a member of Paavan Nidhi Limited.
5.2	(b)	Paavan Nidhi Limited may accept deposit in the name of Rudra, a minor, since it is made by Mr. Kshitij, a member and the father of Rudra but being minor, he cannot be made a member. Reason – Rule 8 (3) of Nidhi Rules 2014 A minor shall not be admitted as a member of Nidhi. Further proviso to said rule suggests that deposits may be accepted in the name of a minor, if they are made by the natural or legal guardian who is a member of Nidhi.
5.3	(a)	Padam shall be eligible for re-appointment only after the expiry of two years of ceasing to be a Director. Reason - Rule 17 (3) of Nidhi Rules 2014 The Director of Nidhi shall be eligible for re-appointment only after the expiration of two years of ceasing to be a Director.
5.4	(b)	M/s A & A Associates can be re-appointed as auditors for another term of five years since a Nidhi company is permitted to appoint or reappoint any auditing firm for two terms of five consecutive years. Reason - Rule 19 (2) of Nidhi Rules 2014 No Nidhi shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. It is worth noting that an auditor (whether an individual or an audit firm) shall be eligible for subsequent appointment after the expiration of two years from the completion of his or its term.
5.5	(c)	Seven and half per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on reducing balance method. Reason - Rule 16 of Nidhi Rules 2014 The rate of interest to be charged on any loan given by a Nidhi shall not exceed seven and half per cent above the highest rate of interest offered on deposits by Nidhi and shall be calculated on reducing balance method.

Answer keys 6

Question No.	Answer	Reasoning
6.1	(d)	GECL is not a Government Company since the Central Government and the State Government of Gujarat together hold 44% of its paid-up share capital which is less than the threshold limit of 51%. Reason - Section 2(45) of the Companies Act, 2013 Government company means any company in which not less than fifty-one percent of the paid-up share capital is held by the

		• Central Government, or • Any State Government or Governments, or • Partly by the Central Government and partly by one or more State Governments, and Includes a company which is a subsidiary company of such a Government company. Since Union Government (21%) and Government of Gujarat (23%) together hold only 44% of paid-up share capital, which less than 51%; hence not a government company.
6.2	(a)	Mr. Anant cannot act as a valuer being a person not resident in India. Reason – Rule 3(1)(h) of Companies (Registered Valuers and Valuation) Rules, 2017 A person shall be eligible to be a registered valuer if he is a person resident in India. It is worth noting that for the purposes of these rules 'person resident in India' shall have the same meaning as defined in clause (v) of section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999) as far as it is applicable to an individual;
6.3	(c)	PML is permitted to file an appeal to the National Company Law Tribunal (NCLT) within a period of three years from the date of the order of the Registrar of Companies. Reason – Section 252(1) Any person aggrieved by an order of the Registrar, notifying a company as dissolved under section 248, may file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar

Answer keys 7

Question No.	Answer	Reasoning
7.1	(c)	The provision of Section 218 states that, the company shall require to take approval of the tribunal before taking action against the employee if there is any pendency of any proceedings against any person concerned in the conduct and management of the affairs of the company. The company shall require approval in the following circumstances: discharge or suspension of an employee; or punishment to an employee by dismissal, removal, reduction in rank or otherwise; or change in the terms of employment to the disadvantage of employee(s); The Tribunal shall notify its objection to the action proposed in writing. In case, the company, other body corporate or person concerned does not receive the approval of the Tribunal within 30 days of making the application, it

		may proceed to take the action proposed against the employee. That means it can be considered as a deemed approval by the tribunal.
7.2	(d)	Mr. Atul has not any remedy available. As per the provision of the law, appeal to the appellate tribunal can be made only if the person is dissatisfied with the objection raised by the tribunal. Hence, in this case the tribunal has not replied Mr. Atul cannot refer to an appeal to Appellate Tribunal.

Answer keys 8

Question No.	Answer	Reasoning
8.1	(d)	As per the Regulation 13(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the listed companies are required to file with the recognized stock exchange(s) on a quarterly basis, within 21 days from the end of each quarter a statement giving the number of investors complaints pending at the beginning of the quarter, disposed of during the quarter and those remaining unresolved at the end of each quarter. In terms of the above Regulation, FLY-FISH Limited has to file the following details relating to Quarter 4 of the financial year 2022-2023 within 21st day of April, 2023 with the recognised stock exchange(s) with which its securities are listed.
8.2	(d)	No. of Complaints redressed during the 4 quarter of the Financial year 2022-2023 is 57 .

Answer Key 9

Question No.	Answer	Reasoning
9.1	(b)	Clause (h) to regulation 2(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 “composite issue” means an issue of specified securities by a listed issuer on public-cum-rights basis, wherein the allotment in both public issue and rights issue is proposed to be made simultaneously.
9..2	(d)	Regulation 5(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 An issuer shall not be eligible to make an initial public offer 1. If the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the Board. 2. If any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the Board 3. If the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower. 4. If any of its promoters or directors is a fugitive economic offender.

9.3	(b)	Regulation 46(2) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 Regulation 46 deals with period of subscription Sub-regulation 2 provides in case of a revision in the price band, the issuer shall extend the bidding (issue) period disclosed in the red herring prospectus, for a minimum period of three working days, subject to the provisions of sub-regulation (1). Here it is important to note that sub-regulation 1 provides except as otherwise provided in these regulations, an initial public offer shall be kept open for at least three working days and not more than ten working days.
-----	-----	---

Answer Key 10

Question No.	Answer	Reasoning
10.1	(d)	First proviso to the Regulation 2(1) (zb) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 Related party means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards First proviso provided that following shall be deemed to be related party (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares (i) of twenty per cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year.
10.2	(b)	No, because audit committee shall consist of at least 3 directors out of which 2/3 shall be independent directors. Reason – Regulation 18(1) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 Every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following The audit committee shall have minimum three directors as members. At least two-thirds of the members of audit committee shall be independent directors While in given case 3 out of 6 audit committee members are independent directors that amounts to $\frac{1}{2}$ only, whereas requirement is of at least $\frac{2}{3}$rd.
10.3	(b)	Regulation 18(2)(b) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.

		In case of both 5th and 7th two independent directors were not present, hence these two meetings was supposed to be adjourned for want of quorum.
10.4	(d)	Regulation 18(2)(a) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. The time gap between 3th (8th July 2022) and 4th meeting (11th Nov 2022) is more than 120 days.
10.5	(c)	Regulation 33(3)(a) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter. Forty five days from end of first quarter i.e. 30th June 2023 last on 14th August 2023.

Answer Key 11

Question No.	Answer	Reasoning
11.1	(b)	As per Regulations related to Import of goods and services under FEMA: Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding ` 25,000 (Rupees Twenty Five Thousand only).
11.2	(b)	As per Regulations related to Import of goods and services under FEMA, A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to ` 100/- without any ceiling .

Answer Key 12

Question No.	Answer	Reasoning
12.1	(d)	Foreign Contribution is defined under Section 2(1)(h) of the Foreign Contribution (Regulation) Act, 2010 (FCRA, 2010), to mean the donation, delivery or transfer made by any foreign source. Section 2(1)(j) only speaks about citizen of a foreign country while inclusively defining foreign source. A donation, delivery or transfer of any article, currency or foreign security by any person who has received it from any foreign source, either directly or through one or more persons is a foreign contribution.

		Donation from Mr. Murugan, a Person of Indian origin who has acquired American citizenship and also is an Overseas Citizen of India cardholder, will be treated as foreign contribution.
12.2	(b)	Contributions made by a citizen of India living in another country i.e. 'Non-resident Indians' from his personal savings through normal banking channels is not to be treated as foreign contribution. In case if Mr. Murugan holds Indian citizenship, he is not a foreigner and therefore, donation given by Mr. Murugan, will not be treated as foreign contribution.

Answer Key 13

Question No.	Answer	Reasoning
13.1	(d)	As per item number viii in part 1 to schedule III of Foreign Exchange Management (Current Account Transactions) Rules 2000 individual can avail foreign exchange facility within a limit of USD 250000 without prior approval of RBI for the purpose of studies abroad. It is worth noting that the Liberalised Remittance scheme, allow remittance more than UDS 250000 for the purpose of study abroad (if fee of such academic institute is higher than threshold of USD 250,000). Since in none of the years, the amount of remittance above the threshold, hence provisions not violated.
13.2	(d)	The amount representing the full export value of services exported shall be realised and repatriated to India within nine months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time, from the date of export. Reason – Rule 9(1) of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 The amount representing the full export value of goods / software/ services exported shall be realised and repatriated to India within nine months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time, from the date of export.
13.3	(c)	Mr. Narottam violates the provisions, therefore liable for penalty up to USD 75000. Reason - As per item number viii in part 1 to schedule III of Foreign Exchange Management (Current Account Transactions) Rules 2000 individual can avail foreign exchange facility within a limit of USD 250000 without prior approval of RBI for the purpose of studies abroad. Further sub-section 1 to section 13 of the Foreign Exchange Management Act 1999, provides if any person contravenes any provision of this Act, or contravenes any rule, regulation, notification, direction, or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorisation is issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where such amount is quantifiable, or up to two lakh rupees where the amount is not quantifiable, and where such contravention is a continuing one, a further penalty which may

		extend to five thousand rupees for every day after the first day during which the contravention continues. Here in present case since the amount involved in the contravention is quantifiable, which arrives at USD 25000, because the amount permissible by Schedule III is USD 250000. Hence amount of penalty can be up to USD 75000 (i.e. 3 times of USD 25000) Note - Since university fee was a mere USD 27500 hence, the Liberalised Remittance scheme has no importance here, which otherwise, allow remittance more than UDS 250000 for the purpose of study abroad.
13.4	(a)	Section 2(v) of FEMA 1999 Ramesh Stays more than 182 in each of FY 2021-22 and 2022-23 therefore person resident in India for both the FY 2022-23 and 2023-24.

Answer Key 14

Question No.	Answer	Reasoning
14.1	(c)	Section 8(1) of The FCRA, 2010 provides that every person, who is registered and granted a certificate or given prior permission under this Act and receives any foreign contribution,— (a) shall utilise such contribution for the purposes for which the contribution has been received. Provided that any foreign contribution or any income arising out of it shall not be used for speculative business: Provided further that the Central Government shall, by rules, specify the activities or business which shall be construed as speculative business for the purpose of this section; (b) shall not defray as far as possible such sum, not exceeding twenty per cent. of such contribution, received in a financial year, to meet administrative expenses: Provided that administrative expenses exceeding twenty per cent. of such contribution may be defrayed with prior approval of the Central Government. (2) The Central Government may prescribe the elements which shall be included in the administrative expenses and the manner in which the administrative expenses referred to in sub-section (1) shall be calculated.
14.2	(c)	No. Speculative activities have been defined in Rule 4 of FCRR – 2011 as under:- 1. (a) any activity or investment that has an element of risk of appreciation or depreciation of the original investment, linked to marked forces, including investment in mutual funds or in shares;

		(b) participation in any scheme that promises high returns like investment in chits or land or similar assets not directly linked to the declared aims and objectives of the organization or association. (2) A debt-based secure investment shall not be treated as speculative investment.
--	--	--

Answer Key 15

Question No.	Answer	Reasoning
15.1	(d)	(d) Rim Jim Limited may attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered, but not allowed to vote. Reason – Section 30(5) of IBC 2016 The resolution applicant may attend the meeting of the committee of creditors in which the resolution plan of the applicant is considered. But the resolution applicant shall not have a right to vote at the meeting of the committee of creditors unless such resolution applicant is also a financial creditor. Mind it Rim-Jim Limited is an operational creditor not the financial creditor.
15.2	(c)	Section 5 (21) of IBC 2016 Operational debt means a claim in respect of the provision of goods or services including employment or a debt in respect of the repayment payment of dues arising under any law for the time being in force and payable to the Central Government, any State Government or any local authority Lease is service, and the lessor who rents out space to an entity is an operational creditor to whom the entity owes rent; therefore lease rentals for business purposes fall under the definition of 'Operational Debt' as per Section 5(21) of the IBC.
15.3	(d)	Section 4 of IBC 2016 The Part II of code (i.e. Insolvency resolution and liquidation for corporate persons) shall apply to matters relating to the insolvency and liquidation of corporate debtors where the minimum amount of the default is one lakh crore: Note - Earlier (till 24.03.2020) the threshold was one lac. But proviso to section empower the Central Government to specify the minimum amount of default of higher value which shall not be more than one crore rupees, by notification in this regard. In exercise of the powers conferred by such proviso, the Central Government through Notification No. SO 1205(E) dated 24th March 2020, specifies one crore rupees as the minimum amount of default for the purposes of the said section.
15.4	(c)	Section 5 (21) of IBC 2016 Operational debt means a claim in respect of the provision of goods or services including employment or a debt in respect of the repayment payment of dues arising under any law for the time being in force and

		payable to the Central Government, any State Government or any local authority
15.5	(b)	Sub-section 1, 2 and 4 of section 21 of IBC, 2016 Sub-section 1 requires interim resolution professional shall after collation of all claims received against the corporate debtor and determination of the financial position of the corporate debtor constitute a committee of creditors. Sub-section 2 provides the committee of creditors shall comprise all financial creditors of the corporate debtor, but the proviso further read as "a financial creditor or the authorized representative of the financial creditor referred to in subsection (6) or sub-section (6A) or sub-section (5) of section 24, if it is a related party of the corporate debtor, shall not have any right of representation, participation or voting in a meeting of the committee of creditors. Sub-section 4 (a) further provides that where any person is a financial creditor as well as an operational creditor, then such person shall be a financial creditor to the extent debt owed by corporate debtor, and shall be included in the committee of creditors, with voting share proportionate to the extent of financial debts owed to such creditor.