

## Dividend

<b>WHAT IS DIVIDEND</b>	As per section 2(35) of the Companies Act, 2013, "Dividend includes interim dividend"
<b>SOURCES OF DIVIDEND</b>	<p>Dividend can be paid out of following sources:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Out of current year's profit. Out of past year's profit lying in profit &amp; loss account.</li> <li><input type="checkbox"/> Out of past year profit earned and transferred to reserves.</li> <li><input type="checkbox"/> Out of money provided by central government or state government for payment of dividend.</li> </ul> <p>Lets understand the various provisions discussed under the Companies Act, 2013</p>
<b>DECLARATION OF DIVIDEND OUT OF PROFITS</b>	<p>Dividend should be paid out of-</p> <ul style="list-style-type: none"> <li>❖ The profit of the company for the financial year; or</li> <li>❖ Profit(s) for the previous financial years(s) which have not been transferred to reserves; or</li> <li>❖ Out of both.</li> </ul>
	<p><b>Note:</b></p> <p>1. Dividend shall be declared/paid only after providing for depreciation in accordance with Schedule II of the Companies Act, 2013. Before declaration of dividend out of profit in any financial year, Company may transfer a percentage of its profits to reserves of the company (at its discretion) for that financial year.</p> <p><b>Notes:</b></p> <p>(1) Earlier Companies Act, 1956, imposes burden to transfer certain percentage of profit to reserve before declaration of dividend in any financial year.</p> <p>(2) However, Companies Act, 2013 introduced a liberal provision in this regard to transfer such percentage of profit to reserves of the company as company may consider appropriate.</p> <p>(3) Dividend shall not be declared/paid by a company from its reserves other than free reserves.</p> <p><b>Notes:</b></p> <p>(1) <b>In Simple words</b>, Dividend should not be declared out of the securities premium account or the Capital redemption reserve account or revaluation reserve or Amalgamation reserve or out profit on re-issue of forfeited shares or out of profit earned profit to the incorporation of the company.</p> <p>(2) <b>"Free Reserve"</b> means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: <b>Provided that—</b></p> <p>(i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or</p>

	(ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.
<b>DIVIDEND DECLARED OUT OF RESERVES</b>	<p>In a year in which the profits are inadequate or there are no profits, the company may declare and pay dividend <b>out of past year profit earned</b> and transferred to reserves <b>subject to the provision</b> of the Companies (Declaration And Payment of dividend) Rules, 2014.</p> <p><b>Notes:</b></p> <p>1. For the purpose of declaration of dividend out of reserves, Company shall have to fulfil following Conditions:</p> <p>(i) The rate of dividend shall not exceed the average of 3 years immediately preceding that year.</p> <p><b>Note:</b> <b>Above condition shall not apply to the company which has not declared any dividend in each of the 3 years immediately preceding that year.</b></p> <p>(ii) The total amount to be drawn from such accumulated profit shall not exceed 1/10th of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.</p> <p>(iii) The amount so withdrawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.</p> <p>(iv) The balance of reserves after such withdrawal shall not fall below 15% of its paid up share capital as appearing in the latest audited financial statement.</p> <p>(v) No company shall declare dividend unless previous losses and depreciation not provided in previous year or years are set off against profit of the company of the current year.</p>
<b>STEPS</b>	<p><b>STEP1- MAXIMUM DIVIDEND RATE</b> Average of 3 years immediately preceding that year.</p> <p><b>STEP 2- MAXIMUM AMOUNT DRAWN FROM ACCUMULATED PROFIT</b> 1/10* Of Paid Up Share Capital &amp; Free Reserves</p> <p><b>STEP3-MAXIMUM AMOUNT DRAWN FOR DIVIDEND MINUS(-) losses</b> incurred in the financial year in which dividend is declared</p>
<b>CHECKPOINT –</b>	<ol style="list-style-type: none"> <li>Balance of reserves after such withdrawal (In 2nd) Step) shall not fall below 15% of its paid up share capital.</li> <li>Set off entire previous losses and depreciation not provided in previous year or years</li> </ol>
<b>DECLARATION OF DIVIDEND</b>	<ul style="list-style-type: none"> <li>❖ Dividend shall be declared only on the recommendation of the board, made at a meeting of the board.</li> <li>❖ Dividend shall be declared only at Annual General meeting of the company.</li> <li>❖ Company shall not declare dividend exceeding the rate recommended by the board. However, member in such meeting may reduced the rate of dividend as recommended by Board.</li> <li>❖ Dividend shall not be declared if company fails to comply with the</li> </ul>

	provision of sections 73 & 74 and such failure continues till the date.						
<b>INTERIM DIVIDEND</b>	<p>As we know that Dividend includes interim dividend, it means entire provisions related to declaration of dividend shall be applicable to interim dividend unless otherwise specifically provided the provisions in this regards.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The board of director of the company may declare interim dividend.</li> <li><input type="checkbox"/> Such dividend shall be declared out of- <ul style="list-style-type: none"> <li>▪ Surplus profit in the profit &amp; loss account; and</li> <li>▪ Profits of the financial year in which such interim dividend is sought to be declared.</li> </ul> </li> </ul>						
<b>DEPOSIT THE AMOUNT OF DIVIDEND</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Company shall deposit amount of dividend (including interim dividend) in separate account with a scheduled bank.</li> <li><input type="checkbox"/> Such amount must be deposited within 5 days from the date of declaration of dividend.</li> <li><input type="checkbox"/> Dividend must be paid within 30 days from the date of declaration of dividend.</li> <li><input type="checkbox"/> Dividend shall be paid in cash i.e.it shall not be paid in kind.</li> </ul> <p><b>Note:</b></p> <p>1. It should be noted that 'Dividend payable in cash' may be paid through following modes to shareholders who are entitled to receive dividend :-</p> <ul style="list-style-type: none"> <li>a. By cheque; or</li> <li>b. By warrant; or</li> <li>c. Through any electronic mode</li> </ul> <ul style="list-style-type: none"> <li><input type="checkbox"/> Calls in arrears and other sum due from a member may be adjusted against dividend payable to the member.</li> <li><input type="checkbox"/> Company shall not issue any bonus share in lieu of dividend.</li> </ul> <p>Dividend should be paid proportionately on the paid up value of shares.</p>						
<b>ENTITLEMENT TO DIVIDEND</b>	<p>Only the registered holders of shares are entitled to Dividend. Dividend may also be paid to his banker or to the order of the registered holder of shares.</p> <p>Company should pay dividend to preference share holders before dividend is paid to the equity shareholders of the company.</p> <p>Dividend on equity shares should be paid in accordance with the right of the respective classes.if any, of such shares.</p>						
<b>ADDRESS TO PAY DIVIDEND (In case payment made by cheque or warrant)</b>	<table border="1"> <thead> <tr> <th></th> <th>CHEQUE OR WARRANT</th> </tr> </thead> <tbody> <tr> <td>SHARE HOLD IN SINGLE NAME</td> <td>sent through the post to the registered address of the shareholder.</td> </tr> <tr> <td>SHARE HOLD IN JOINT NAME</td> <td>sent through the post to the registered address of one of the joint holder who is first</td> </tr> </tbody> </table>		CHEQUE OR WARRANT	SHARE HOLD IN SINGLE NAME	sent through the post to the registered address of the shareholder.	SHARE HOLD IN JOINT NAME	sent through the post to the registered address of one of the joint holder who is first
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			named on the register of members
		<b>IN ANY OTHER CASE</b>	sent through the post to the such address as the holder or joint holder may in writing.
<b>UNPAID DIVIDEND</b>	<p>The amount of dividend which remains unpaid or unclaimed after 30 days from the date of declaration should be transferred to a special dividend account of the company.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Account shall be called 'Unpaid Dividend Account' opened by the company in any scheduled bank.</li> <li><input type="checkbox"/> Amount of unpaid dividend shall be transferred to 'Unpaid Dividend Account' within seven days from the date of expiry of the 30 days period provided for payment of dividend.</li> <li><input type="checkbox"/> The company shall prepare a statement related to persons to whom unpaid dividend are to be paid and such statement shall place on the website of the company or any other website as approved by the Central Government.</li> <li><input type="checkbox"/> Such statement shall contain following information's- <ul style="list-style-type: none"> <li>➤ Names of such persons to whom unpaid dividend are to be paid; and</li> <li>➤ Their last known address; and</li> <li>➤ Amount of unpaid dividend.</li> </ul> </li> <li><input type="checkbox"/> After transferring the unpaid dividend to 'Unpaid Dividend Account', Any person (who is entailed to claim such money) may apply to the company for payment of money so claimed.</li> <li><input type="checkbox"/> Any amount in the Unpaid Dividend Account of the company which remains unclaimed and unpaid for a period of seven years from the date of transfer of such amount to the Unpaid Dividend Account should be transferred to the Investor Education and Protection Fund.</li> <li><input type="checkbox"/> Any interest earned on the Unpaid Dividend Account should be transferred to the investors Education and Protection Fund.</li> <li><input type="checkbox"/> The company shall send a statement containing details of such transfer to the authority which administers the Fund and such authority shall issue a receipt to the company as evidence.</li> </ul>		
<b>DIVIDEND IN ABYANCE</b>	<p>The amount of dividend in respect of shares for which an instrument of transfer has been transferred to company but which have not been registered for any valid reason should be transferred to Unpaid Dividend Account.</p>		
<b>DISCLOSURES REQUIREMENT</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> The Balance Sheet of the company should <b>disclose under the head 'current liabilities and provisions'</b>, the amount lying in the Unpaid Dividend Account together with interest accrued thereon, if any.</li> <li><input type="checkbox"/> The <b>annual report</b> of the company should disclose the <b>total amount lying in the Unpaid Dividend Account</b> of the company in respect of the</li> </ul>		

	<p>last seven years. The amount of dividend, if any, transferred by the company to the investor Education and Protection Fund during the year should also be disclosed.</p> <p><input type="checkbox"/> The annual return of the company should mention that the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date such dividend became payable by the company, together with interest accrued thereon, if any, has been credited to the <b>investor Education and Protection Fund.</b></p>
<b>PUNISHMENT FOR FAILURE TO DISTRIBUTE DIVIDENDS</b>	
<p><b>Dividend declared BUT has not been paid or dividend warrant has not been posted within 30 days from the date of declaration</b></p>	<p>Every director of the company, if knowing a party to the default PUNISHABLE WITH Imprisonment - which may extend to 2 years; and <b>Fine</b> - At least Rs. 1,000 for every day during which such default continues; <b>AND Company shall be liable to pay simple interest at the rate of 18% p.a. during the period for which such default continues.</b></p>
<p><b>NO PUNISHMENT FOR FAILURE TO DISTRIBUTE DIVIDENDS UNDER SPECIFIED CASES</b></p>	<p>(i) DIVIDEND COULD NOT BE PAID DUE TO <b>OPERATION OF ANY LAW</b></p> <p>(ii) DIVIDEND COULD NOT BE PAID DUE TO ANY DEFAULT WHICH <b>WAS NOT ON THE PART OF THE COMPANY</b></p> <p>(iii) EXCEPTION TO PUNISHMENT FOR FAILURE TO DISTRIBUTE I <b>DIVIDENDS</b></p> <p>(iv) DIVIDEND HAS BEEN <b>DULY ADJUSTED AGAINST ANY DUES FROM SHAREHOLDERS</b></p> <p>(v) ANY DISPUTE REGARDING RIGHT TO RECEIVE THE DIVIDEND</p> <p>(vi) DIRECTION OF SHAREHOLDER TO PAY DIVIDEND CAN NOT BE <b>COMPILED WITH &amp; SAME HAS BEEN COMMUNICATED TO HIM</b></p>