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Coronavirus outbreak: Govt mulls suspending IBC process for 6 months

The finance minister also announced a slew of measures to provide cushion to companies on compliances.

Ruchika Chitravanshi | New Delhi March 24, 2020 Last Updated at 22:17 IST



In a relief for small and medium enterprises facing the threat of insolvency because of the coronavirus crisis, the government on Tuesday raised the threshold for invoking insolvency to Rs 1 crore from the current Rs 1 lakh.

Finance Minister Nirmala Sitharaman, while addressing the media through video conferencing, also said if the situation continued to be difficult, the government would consider suspending the provisions for triggering insolvency for six months.

This means suspending Sections 7, 9 and 10 of the Insolvency and Bankruptcy Act (IBC), which enable a financial creditor, operational creditor and the promoter, respectively, to initiate insolvency proceedings against a company. The proposed move will “stop companies at large from being forced into insolvency proceedings in such force majeure causes of default”, said a government release.

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Finance Minister Nirmala Sitharaman | Photo: ANI twitter

follow this up with an economic package, which will help and stimulate the demand and growth for India under the challenging circumstances,” said K R Sekar, partner, Deloitte India.

The government has also pushed the implementation of the Companies Audit Report Order 2020 by a year.

“Given the lockdown, industry, as well as audit professionals, is keenly looking forward to accounting and auditing guidance for financial year ending March 31, 2020, since there are issues relating to physical verification of inventory, fixed assets, balance confirmations, fair value measurements, expected credit losses, going concern and impairment,” said Sanjeev Singhal, partner, S R Batliboi & Co.

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- **Deadline for filing tax returns extended** by three months, to June 30
- **No charges on cash withdrawals** from any bank ATM for 3 months; bank charges cut on digital trade transactions

- **Minimum balance charges** for saving accounts waived
- **24x7 customs clearance** till June 30
- **Deadline to opt for composition scheme extended** till the last week of June

The finance minister also announced a slew of measures to provide cushion to companies on compliances.

Newly incorporated companies will get an additional six months to file the declaration for commencing business. For a director in any company who has not fulfilled the requirement of minimum residency of 182 days shall not be treated as a violation of law.

The government has also relaxed the mandatory requirement of holding board meetings within prescribed interval by 60 days for the next two

quarters. If independent directors have not attended a single board meeting in 2019-20, the same will not be seen as a violation for the financial year.

The corporate affairs ministry has also issued a moratorium on the MCA 21 registry from April 1 to September 30. Companies will not have to submit any additional fees for late filing during this period.

The deadline for investing 15 per cent of debentures maturing in certified instruments and the requirement of 20 per cent deposit reserve has been moved from April 30 to June 30.

Due to the emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID 19, it has been decided to raise the threshold of default under section 4 of the IBC 2016 to Rs 1 crore (from the existing threshold of Rs 1 lakh). This will by and large prevent triggering of insolvency proceedings against MSMEs. If the current situation continues beyond 30th of April 2020, we may consider suspending section 7, 9 and 10 of the IBC 2016 for a period of 6 months so as to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.