

The Companies (Declaration and Payment of Dividend) Rules, 2014

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 31st March, 2014

[Amended upto date¹]

G.S.R.241(E).— In exercise of the powers conferred under sub-section (1) of [section 123](#) read with [section 469](#) of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Central Government's) General Rules and Forms, 1956 and other Rules prescribed under the Companies Act, 1956 on matters covered under these rules, except as respects things done or omitted to be done before such suppression, the Central Government hereby makes the following rules, namely:—

1. Short title and commencement.-(1) These rules may be called the Companies (Declaration and Payment of Dividend) Rules, 2014.

(2) They shall come into force on the 1st day of April, 2014.

2. Definitions.-(1) In these rules, unless the context otherwise requires, —

(a) “**Act**” means the Companies Act, 2013;

(b) “**section**” means section of the Act.

(2) Words and expressions used in these rules but not defined and defined in the Act or in the Companies (Specification of Definitions Details) Rules, 2014, shall have the same meanings respectively assigned to them in the Act or in the said Rules.

3. Declaration of dividend out of reserves.- In the event of inadequacy or absence of profits in any year, a company may declare dividend out of free reserves subject to the fulfillment of the following conditions, namely:—

(1) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year:

Provided that this sub-rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial year.

(2) The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

(3) The amount so drawn 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.

(4) The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.

²³ [(5) omitted]

[F. No. 1/31/2013-CL.V]
RENUKA KUMAR, Jt. Secy.

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References:

1. Last amendment on 29.05.2015[[↪](#)]
2. Substituted by the Companies (Declaration and Payment of Dividend) Amendment Rules, 2014 vide Notification No. G.S.R. 397(E) dated 12th June, 2014, w.e.f. 12.06.2014, for the sub-rule “(5) No company shall declare dividend unless carried over previous losses and depreciation not provided in previous year are set off against profit of the company of the current year the loss or depreciation, whichever is less, in previous years is set off against the profit of the company for the year for which dividend is declared or paid.”.[[↪](#)]
3. Omitted by the Companies (Declaration and Payment of Dividend) Second Amendment Rules, 2015 vide Notification No. G.S.R. 441(E) dated 29th May, 2015, w.e.f. 29.05.2015. Prior to omission, the sub-rule stood as under:

“(5) No company shall declare dividend unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the

company of the current year.”[↵]