



Press Release

CimplifyFive releases **Report on Cost of Compliance and Penalty for Non-Compliances under the Companies Act, 2013**

A first of its kind Report that quantifies cost of compliance

Report highlights cost of compliance for companies of different sizes, penalties for non-compliance and recommends practices based on a comparative international study

December 20, 2017; Bangalore: CimplifyFive Corporate Secretarial Services Pvt Ltd (CimplifyFive), a pioneer in offering research and technology based solutions for compliance with the Companies Act 2013, today announced the release of a first of its kind report “**Cost of Compliance and Penalty for Non-compliance under the Companies Act, 2013**”. This report quantifies the cost of compliance for companies with an authorized capital of Rs.1 lakh, Rs.5 crores and Rs.25 crores.

On the occasion of the release, **Suresh Senapaty, Chairman of CimplifyFive**, said “Reports of this kind are necessary to initiate a debate on the relationship between cost of compliance and penalties for non-compliance; a debate that will go a long way in promoting Ease of Doing Business in India without diluting the compliance required.”

Shankar Jaganathan, Founder & Chief Executive of CimplifyFive added “In this Report we have developed Compliance Index, a new index that measures the economic deterrent in a statute for entities regulated by that statute to be compliant. This measure suggests relooking at the penalty provisions in economic statutes by indexing them to wholesale price index or managerial remuneration limits to make the corporate sector more compliant.”

CimplifyFive’s Cost of Compliance and Penalty for Non-compliance under the Companies Act, 2013 is an in-depth report on compliance costs and non-compliance penalties across six countries that introduces a new concept, quantifies cost of compliance and provides a comparative stock take of compliance requirements across six countries.

The top five findings in this report are:

1. **Introduces Compliance Index, a simple and new concept** to measure the economic incentive, disincentive or indifference to compliance provisions in a statute: A concept that can be used in all statutes to measure its deterrent effect.
2. **Quantifies the annual cost of compliance, which is inexpensive at:** less than forty thousand rupees for small companies, less than six lakh twenty thousand rupees for small-medium companies and less than twenty four lakh rupees for medium sized companies. Further the cost incurred on compliance can provide significant value-add to the business due to participation of directors, auditors and company secretaries in the decision making process.

3. **Identifies penalty for non-compliance as not being an effective deterrent:** Penalty ranges from Rs.500/- to Rs.2 crores; further these penalties are neither indexed to inflation nor related to the size of the company.
4. **Identifies wide-spread corporate practices that need immediate resolution like:**
 - The mandate for four board meetings in a financial year that has given rise to the practice of Paper board meetings.
 - Process of affixing digital signatures using tokens that does not require the signatory's presence or knowledge.
5. **Recommends measures for creating a more compliant regulatory environment** based on international practices:
 - Index penalties in the Companies Act, 2013 to Wholesale Price Index or Managerial Compensation limits thereby keeping the penalty for non-compliance indexed to inflation.
 - Publish Compliance Enforcement Calendar that ensures action against non-compliant corporates that is predictable, time bound and non-discretionary.

The full report can be accessed and downloaded at www.cimplifyfive.com

About CimplifyFive

CimplifyFive Corporate Secretarial Services Private Limited is a pioneer in offering research and technology based solutions for compliance with the Companies Act, 2013. Board Leaders Integrated Software Solution (BLISS), the company's first product eliminates procedural non-compliance risk for entities incorporated under the Indian Companies Act, 2013. More details about the company and its product BLISS can be obtained from www.cimplifyfive.com.

CimplifyFive also provides a free to use website www.ca2013.com that provides company law at your fingertips. This site uses hypertext to integrate rules, notifications, orders and circulars with the Act and provides real time, online access to the Companies Act as it stands on that day.

Contact

Shankar Jaganathan	98451 63021	shankar@cimplifyfive.com
Shriram Subramanian	98442 44411	shriram@cimplifyfive.com
CimplifyFive Office	080-23441212	contact@cimplifyfive.com