

Companies (Transfer of Profits to Reserves) Rules, 1975

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¹1. See section 205(2A) of the Companies Act, 1956. In exercise of the powers conferred by sub-section (2A) of section 205, read with clause (a) of sub-section (1) of section 642 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following Rules, namely:-

1. Short title :-

These Rules may be called the Companies (Transfer of Profits to Reserves) Rules, 1975.

2. Percentage of profits to be transferred to reserves :-

No dividend shall be declared or paid by a company for any financial year out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act, except after the transfer to the reserves of the company of a percentage of its profits for that year as specified below.-

(i) where the dividend proposed exceeds 10 per cent but not 12.5 per cent of the paid up capital, the amount to be transferred to the reserves shall not be less than 2.5 per cent of the current profits;

(ii) where the dividend proposed exceeds 12.5 per cent, but does not exceed 15 per cent of the paid up capital, the amount to be transferred to the reserves shall not be less than 5 per cent of the current profits;

(iii) where the dividend proposed exceeds 15 per cent, but does not exceed 20 per cent of the paid up capital, the amount to be transferred to the reserves shall not be less than 7.5 per cent of the current profits; and

(iv) Where the dividend proposed exceeds 20 per cent of the paid

up capital the amount to be transferred to reserves shall not be less than 10 per cent of the current profits.