Salary Reporting Norms Eased for India Inc

Cos to only disclose salaries of 10 top paid employees and those earning in excess of Rs 1.02 cr per annum in the director's report or to RoC

The government has simplified the salary reporting requirements of companies, making them less rigorous and also dropping many clauses that required salaries to be benchmarked to performance.

Under the new rules, companies will only have to disclose salaries of 10 top paid employees in the director's report or to the registrar of companies (RoC) and those earning in excess of Rs.1.02 crore per annum.

The Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2014 issued earlier required companies to report remuneration details of every employee who earned more than Rs.60 lakh a year.

In case of employees who work only part time, the new rules raise the threshold to Rs.8.52 lakh a month from Rs.5 lakh.

Listed companies have also been exempted from providing several disclosures in the company director's report, including the explanation on the relationship between average increase in remuneration and company perfor mance, comparison of the remuneration of key managerial personnel against the performance of the company and the key parameters for any variable compo nent of remuneration availed by the directors.

“The move would cut down the unnecessary disclosures listed companies had to make,“ said Anshul Jain, partner at law firm Luthra & Luthra. “In several big companies even mid-level employees draw more than Rs. 5 lakh. So, there was no need to provide their details in the director's report.“

The corporate affairs ministry has also provided clarity on the auditor's rotation rules under the Companies Act of 2013.

The companies will now be able to retain the same auditors till their 2017 annual general meeting (AGM).

Earlier, the Act said the companies had to appoint new auditors within three years of the implementation of the Act, which came into effect in 2014.

“Companies were confused whether they had to change their auditors this year or next year, “said Jain. “Now, the ministry of corporate affairs has clarified that same auditors can be retained till the 2017 AGM of company.AGM usually takes place in September.”

Under the Companies Act, companies have to change their auditors every three years.

The new rules have also done away with the requirement of return of appointment of chief executive officers, company secretaries and chief financial officers within 60 days of the appointment with the registrar.

This rule will now apply only in case of managing directors, whole-time directors or managers.

(Economic Times)