

Disqualification of Directors

If you are a director of a company, then you must be aware of the norms in the Companies Act 2013, which could lead to the disqualification of directorship for five years.

A. Reason for Disqualification:

If a company fails to file its financial statements and other relevant documents for a continuous period of three years then it could be struck off from ROC and its directors can be disqualified for five years.

B. Rationale behind Disqualification:

The intention of the Government behind this is to fight the menace of black money created by shell companies. However, these actions could deeply impact the careers of directors as a five-year ban from directorship could prove to a lot.

C. Impact of Disqualification:

Here is the impact disqualification could have on a directors' career,

1. The Ministry of corporate affairs has clearly stated that the directors once disqualified will be rendered ineligible for appointment in any other company for five years. This could mean an exile of five years from an illustrious corporate career.
2. The liability of a company after being struck off remains with the directors even after their disqualification.
3. The directors face may also face huge penalties due to non-compliance of RoC rules.
4. If a director continues to be on the directorship even after disqualification then he/.she could face imprisonment of one year or a fine of 1 lakh to 5 lakh.
5. The office of the director becomes vacant after disqualification.