

[AS PASSED BY THE SENATE]

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BILL

further to amend the Companies Act, 2017

WHEREAS it is expedient further to amend the Companies Act, 2017 (XIX of 2017), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. Short title and commencement.- (1) This Act may be called the Companies (Amendment) Act, 2020.

(2) It shall come into force at once.

2. Amendment of section 227, Act XIX of 2017.- In the Companies Act, 2017 (XIX of 2017), in section 227, in sub-section (3), after paragraph (d), the following new paragraph shall be inserted, namely:-

“(e) the legitimate reasons for not declaring dividend under section 240 despite earning profits and future prospects of dividend, if any.”

STATEMENT OF OBJECTS AND REASONS

At present, under the Companies Act, 2017, declaration of dividend by the Company is not binding. The Board of the Directors of the Company decides whether to pay dividend or reinvest the profit earned by a Company. As per annual report of the Karachi's Stock Exchange (KSE), 2010-2018, out of 562 listed companies only 246 paid dividends to their shareholders while as many as 114 did not despite earning profit. This amendment aims to amend section 227 of the Companies Act, 2017, to provide for mandatory declaration of dividends for the protection of interests of the shareholders, specially the minority shareholders and to ensure that in the event of profit, they are paid a dividend after its declaration by the Board of Directors of the Company.

The proposed amendment is designed to achieve the aforesaid objective.

**SENATOR GHOUS MUHAMMAD KHAN NIAZI,
Member-in-Charge**