

Companies (Foreign Interests) Act, 1918

February 14, 2013

See [The Companies Act 2013](#)

[Act No. 20 of 1918]

[26th September, 1918]

STATEMENT OF OBJECTS AND REASONS

"It is considered desirable that companies which, during the war, have been reconstituted in India on lines approved by the Government of India and that new companies, whose business is of importance to the security of India and of the British Empire as a whole, should be restrained from altering their Articles of Association in such a way as to bring them under the control of foreign interest. It is, therefore, proposed that the provision in the articles of association of such companies, which are designed to restrict the shares or interests to be held or the powers to be exercised by persons other than British subjects, should not be altered without the consent of the Governor-General in Council. Similarly, legislation in the United Kingdom has resulted in the Companies (Foreign Interests) Act, 1917 (7 and 8 Geo. V. Chap. 18), which prohibits the alteration of restrictive Articles of this nature without the permission of the Board of Trade. Clauses 3 and 4(1) of the Bill are designed to give effect to this proposal, and the remaining sub-clauses of cl. 4 have been inserted to prevent evasion of this provision by voluntary liquidation on the part of the Companies concerned." – Gazette of India 1918, Pt. V, p. 74.

Prefatory Note—

Statement of Objects and Reasons.—The Commission on Review of Administrative Laws was set up by the Central Government on the 8th May, 1998, inter alia, for review of administrative laws and for recommending follow-up steps thereafter for repeal and amendment of laws. In pursuance of the recommendations of the said Commission, the Central Government has decided to repeal the Indian Companies (Foreign Interests) Act, 1918 and the Companies (Temporary Restrictions on Dividends) Act, 1974 which have become obsolete and retention thereof as separate Acts are unnecessary. 2. The Bill seeks to repeal the aforesaid Act. An Act to take power to prohibit the alteration, except with the sanction of [the Central Government], of Articles of Association which restrict foreign interests in certain Companies, and to provide for other purposes connected therewith.

Whereas it is expedient to take power to prohibit the alteration, except with the sanction of ¹[the Central Government], of Articles of Association which restrict foreign interests in certain companies, and to provide for other purposes connected therewith; It is hereby enacted as follows:-

ACT HOW AFFECTED BY SUBSEQUENT LEGISLATION

-Adapted by A. O. 1937. A.L.O., 1950

1 Substituted for "the Governor- General in council" ,A.L.O.,1950

2. Definitions.

(1) In this Act,-



¹ [(a) the expression "Commonwealth citizen" has the same meaning as in section 1-of the British Nationality Act, 1948, but shall include any association incorporated in any part of the Commonwealth including India];

(b) the expression "restrictive provision" means any provision in the articles of association of a company which, in the opinion of the Central Government, is designed to restrict or limit or has the effect of restricting or limiting the share or shares or interest which may be held, or the rights, powers or authority which may be conferred upon or exercised by or on behalf of persons other than ²[Commonwealth citizens] in the company, or in respect of the control, management or directions of the affairs thereof.

(2) All words and expressions used in this Act and defined in the Indian Companies Act, 1913, shall be deemed to have the meanings respectively attributed to them by that Act.

1. Substituted for old clause (a), by A.L.O., 1950.

2 Substituted for the words "British subject",Ibid.

3. Application of Act.

This Act shall apply to such companies as the ¹ [Central Government] may, by notification in the ¹ [Official Gazette] declare to be companies with restrictive provisions, and any such notification shall specify the restrictive provisions.

1. Substituted for "G-G in Council" by A. O., 1937.

4. Alterations in restrictive provisions and winding up.

So long as, a notification issued under section 3-is in force in respect of any company, notwithstanding anything to the contrary in any other Act-

(1) No alteration of the articles of association of the company affecting either directly or indirectly any restrictive provision shall be of any effect until it has received the consent in writing of the ¹ [Central Government];

(2) A resolution for the voluntary winding up of the company shall be of no effect unless the ¹[Central Government] authorizes or ratifies it by a written consent;

(3) Any Court which has jurisdiction to wind up the company may in its discretion refuse to make a winding up order. In the exercise of its discretion, the Court shall be guided by the consideration whether the winding up is bona fide with a view to the discontinuance of the undertaking, or is with a view to continuing the undertaking, freed either wholly or in part from any restrictive provision;

(4) The ¹[Central Government] in giving consent, or the Court in making a winding up order, as the case may be, may impose such terms or conditions for giving effect to the purposes of this Act as² [it] thinks fit.

1. Substituted for "G-G in Council" by A. O., 1937.

2. Substituted for "he or it" old clause (a), by A.L.O., 1950.

Also See [The Companies Act 2013](#)



