

Companies Act, 1956

Section 309 - Remuneration of Directors

(1) The remuneration payable to the directors of a company, including any managing or whole-time director, shall be determined, in accordance with and subject to the provisions of section 198 and this section, either by the articles of the company, or by a resolution or, if the articles so require, by a special resolution, passed by the company in general meeting 1 [and the remuneration payable to any such director determined as aforesaid shall be inclusive of the remuneration payable to such director for services rendered by him in any other capacity:

Provided that any remuneration for services rendered by any such director in any other capacity shall not be so included if--

(a) the services rendered are of a professional nature, and

(b) in the opinion of the Central Government, the director possesses the requisite qualifications for the practice of the profession].

2 [(2) A director may receive remuneration by way of a fee for each meeting of the Board, or a committee thereof, attended by him:

Provided that where immediately before the commencement of the Companies (Amendment) Act, 1960, fees for meetings of the Board and any committee thereof, attended by a director are paid on a monthly basis, such fees may continue to be paid on that basis for a period of two years after such commencement or for the remainder of the term of office of such director, whichever is less, but no longer.

(3) A director who is either in the whole-time employment of the company or a managing director may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other:

Provided that except with the approval of the Central Government such remuneration shall not exceed five per cent of the net profits for one such director, and if there is more than one such director, ten per cent for all of them together.]

3 [(4) A director who is neither in the whole-time employment of the company nor a managing director may be paid remuneration--

(a) either by way of a monthly, quarterly or annual payment with the approval of the Central Government;

(b) or by way of commission if the company by special resolution authorises such payment:

Provided that the remuneration paid to such director, or where there is more than one such director, to all of them together, shall not exceed--

(i) one per cent of the net profits of the company, if the company has a managing or whole-time director, 4 [***] or a manager;

(ii) three per cent, of the net profits of the company, in any other case:

Provided further that the company in general meeting may, with the approval of the Central Government, authorise the payment of such remuneration at a rate exceeding one per cent or, as the case may be, three per cent, of its net profits.]

(5) The net profits referred to in sub-sections (3) and (4) shall be computed in the manner referred to in section 198, sub-section (1).

5 [(5A) If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without the prior sanction of the Central Government, where it is required, he shall refund such sums to the company and until such sum is refunded, hold it in trust for the company.]

6 [(5B) The company shall not waive the recovery of any sum refundable to it under sub-section (5A) unless permitted by the Central Government.]

(6) No director of a company who is in receipt of any commission from the company and who is either in the whole-time employment of the company or a managing director shall be entitled to receive any commission or other remuneration from any subsidiary of such company.

(7) The special resolution referred to in sub-section (4) shall not remain in force for a period of more than five years; but may be renewed, from time to time, by special resolution for further periods of not more than five years at a time:

Provided that no renewal shall be effected earlier than one year from the date on which it is to come into force.

(8) The provisions of this section shall come into force immediately on the commencement of this Act or, where such commencement does not coincide with the end of a financial year of the company, with effect from the expiry of the financial year immediately succeeding such commencement.

(9) The provisions of this section shall not apply to a private company unless it is a subsidiary of a public company.

1. Inserted by Act 31 of 1965, Section 42 (w.e.f. 15-10-1965).

2. Substituted by Act 65 of 1960, Section 113, for sub-sections (2) and (3) (w.e.f. 28-12-1960).

3. Substituted by Act 31 of 1965, Section 42, for sub-section (4) (w.e.f. 15-10-1965).

4. The words "a managing agent or secretaries and treasurers," omitted by Act 53 of 2000, Section 153 (w.e.f. 13-12-2000).

5. Inserted by Act 65 of 1960, Section 113 (w.e.f. 28-12-1960).

6. Substituted by Act 65 of 1960, Section 114, for certain words (w.e.f. 28-12-1960).
