Companies Act, 1956

Chapter 3 - Voluntary Winding Up

Section 484 - Circumstances in which company may be wound up voluntarily

(1) A company may be wound up voluntarily--

(a) when the period, if any, fixed for the duration of the company by the articles has expired, or the event, if any, has occurred, on the occurrence of which the articles provide that the company is to be dissolved, and the company in general meeting passes a resolution requiring the company to be wound up voluntarily;

(b) if the company passes a special resolution that the company be wound up voluntarily.

(2) In this Act, the expression "a resolution for voluntary winding up" means a resolution passed under clause (a) or (b) of sub-section (1).

Section 485 - Publication of resolution to wind up voluntarily

(1) When a company has passed a resolution for voluntary winding up, it shall, within fourteen days of the passing of the resolution, give notice of the resolution by advertisement in the Official Gazette, and also in some newspaper circulating in the district where the registered office of the company is situate.

(2) If default is made in complying with sub-section (1), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to[1][five hundred rupees] for every day during which the default continues.

For the purposes of this sub-section, a liquidator of the company shall be deemed to be an officer of the company.

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1. Substituted by Act 53 of 2000, Section 192, for "fifty rupees" (w.e.f. 13-12-2000).

Section 486 - Commencement of voluntary winding up

A voluntary winding up shall be deemed to commence at the time when the resolution for voluntary winding up is passed.

Section 487 - Effect of voluntary winding up on status of company

Consequences of voluntary winding up

In the case of a voluntary winding up, the company shall from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up of such business:

Provided that the corporate state and corporate powers of the company shall continue to till it is dissolved.

Section 488 - Declaration of solvency in case of proposal to wind up voluntarily

Declaration of solvency

(1) Where it is proposed to wind up a company voluntarily, its directors, or in case the company has more than two directors, the majority of the directors, may, at a meeting of the Board, make a declaration verified by an affidavit, to the effect that they have made a full inquiry into the affairs of the company, and that, having done so, they have formed the opinion that the company has no debts, or that it will be able to pay its debts in full within such period not exceeding three years from the commencement of the winding up as may be specified in the declaration.

(2) A declaration made as aforesaid shall have no effect for the purposes of this Act, unless-

(a) it is made within the five weeks immediately preceding the date of the passing of the resolution for winding up the company and is delivered to the Registrar for registration before that date; and

1 [(b) it is accompanied by a copy of the report of the auditors of the company (prepared, as far as circumstances admit, in accordance with the provisions of this Act) on the profit and loss account of the company for the period commencing from the date up to which the last such account was prepared and ending with the latest practicable date immediately before the making of the declaration and the balance sheet of the company made out as on the last-mentioned date and also embodies a statement of the company's assets and liabilities as at that date.]

(3) Any director of a company making a declaration under this section without having reasonable grounds for the opinion that the company will be able to pay its debts in full within the period specified in the declaration, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to 2 [fifty thousand rupees], or with both.

(4) If the company is wound up in pursuance of a resolution passed within the period of five weeks after the making of the declaration, but its debts are not paid or provided for in full within the period specified in the declaration, it shall be presumed, until the contrary is shown, that the director did not have reasonable grounds for his opinion.

(5) A winding up in the case of which a declaration has been made and delivered in accordance with this section is in this Act referred to as "a members' voluntary winding up"; and a winding up in the case of which a declaration has not been so made and delivered is in this Act referred to as a "a creditors' voluntary winding up".

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1. Substituted by Act 65 of 1960, Section 178, for clause (b) (w.e.f. 28-12-1960).

2. Substituted by Act 53 of 2000, Section 193, for "five thousand rupees" (w.e.f. 13-12-2000).

Section 489 to 498 - Provisions applicable to a members' voluntary winding up

Section 489 - Provisions applicable to a members voluntary winding up

The provision contained in section 490 to 498, both inclusive shall subject to the provision of section 498, apply in relation to a members' voluntary winding up.

Section 490 - Power of company to appoint and fix remuneration of liquidators

(1) The company in general meeting shall-

(a) appoint one or more liquidators for the purpose of winding up the affairs and distributing the assets of the company; and

(b) fix the remuneration, if any, to be paid to the liquidator or liquidators.

(2) Any remuneration so fixed shall not be increased in any circumstances whatever, whether with or without the sanction of the[1][Tribunal].

(3) Before the remuneration of the liquidator or liquidators is fixed, as aforesaid, the liquidator, or any of the liquidators, as the case may be, shall not take charge of his office.

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1. Substituted by Act 11 of 2003, Section 83, for "Court".

Section 491 - Board's powers to cease on appointment of liquidator

On the appointment of a liquidator, all the powers of the Board of directors and of the managing or whole-time directors,[1][***] and manager, if there be any of these, shall cease except for the purpose of giving notice of such appointment to the registrar in pursuance of section 493 or insofar as the company in general meeting or the liquidator may sanction the continuance thereof.

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1. The words "managing agent, secretaries and treasurers," omitted by The Companies (Amendment) Act, 2000, Section 194 (w.e.f. 13-12-2000).

Section 492 - Power to fill vacancy in office of liquidator

(1) If a vacancy occurs by death, resignation or otherwise in the office of any liquidator appointed by the company, the company in general meeting may, subject to any arrangement with its creditors, fill the vacancy,

(2) For that purpose, a general meeting may be convened by any contributory, or by the continuing liquidator or liquidators, if any.

(3) The meeting shall be held in the manner provided by this Act or by the articles, or in such other manner as the[1][Tribunal] may, on application by any contributory or by the continuing liquidator or liquidators, determine.

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1. Substituted by Act 11 of 2003, Section 83, for "Court".

Section 493 - Notice of appointment of liquidator to be given to Registrar

(1) The company shall give notice to the Registrar of the appointment of a liquidator or liquidators made by it under section 490, of every vacancy occurring in the office of liquidator, and of the name of the liquidator or liquidators appointed to fill every such vacancy under section 492.

(2) The notice aforesaid shall be given by the company within ten days of the event to which it relates.

(3) If default is made in complying with sub-section (1) or (2), the company, and every officer of the company (including every liquidator or continuing liquidator) who is in default, shall be punishable with fine which may extend to[1][one thousand rupees] for every day during which the default continues.

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1. Substituted by Act 53 of 2000, Section 195, for "one hundred rupees" (w.e.f. 13-12-2000).

Section 494 - Power of liquidator to accept shares, etc., as consideration for sale of property of company

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(1) Where-

(a) a company (in this section called "the transferor company") is proposed to be, or is in course of being, wound up altogether voluntarily; and

(b) the whole or any part of its business or property is proposed to be transferred or sold to another company, whether a company within the meaning of this Act or not (in this section called "the transferee company");

the liquidator of the transferor company may, with the sanction of a special resolution of that company conferring on the liquidator either a general authority or an authority in respect of any particular arrangement,-

(i) receive, by way of compensation or part compensation for the transfer or sale, shares, policies, or other like interests in the transferee company, for distribution among the members of the transferor company; or

(ii) enter into any other arrangement whereby the members of the transferor company may, in lieu of receiving cash, shares, policies, or other like interests or in addition thereto, participate in the profits of, or receive any other benefit from, the transferee company.

(2) Any sale or arrangement in pursuance of this section shall be binding on the members of the transferor company.

(3) If any member of the transferor company who did not vote in favour of the special resolution expresses his dissent therefrom in writing addressed to the liquidator, and left at the registered office of the company within seven days after the passing of the resolution he may require the liquidator either--

(a) to abstain from carrying the resolution into effect; or

(b) to purchase his interest at a price to be determined by agreement or by arbitration in the manner provided by this section.

(4) If the liquidator elects to purchase the member's interest, the purchase money shall be paid before the company is dissolved, and be raised by the liquidator in such manner as may be determined by special resolution.

(5) A special resolution, shall not be invalid for the purposes of this section by reason only that it is passed before or concurrently with a resolution for voluntary winding up or for appointing liquidators; but if an order is made within a year for winding up the company by [1] [The Tribunal], the special resolution shall not be valid unless it is [2] [sanctioned by the Tribunal].

(6) The provisions of the Arbitration Act, 1940 (10 of 1940) other than those restricting the application of that Act in respect of the subject matter of the arbitration, shall apply to all arbitrations in pursuance of this section.

1. Substituted by Act 11 of 2003, Section 84, for "or subject to the supervision of the court,".

2. Substituted by Act 11 of 2003, Section 84, for "sanctioned by the court".

Section 495 - Duty of liquidator to call creditors' meeting in case of insolvency

(1) If, in the case of a winding up commenced after the commencement of this Act, the liquidator is at any time of opinion that the company will not be able to pay its debts in full within the period stated in the declaration under section 488, or that period has expired without the debts having been paid in full, he shall forthwith summon a meeting of the creditors, and shall lay before the meeting a statement of the assets and liabilities of the company.

(2) If the liquidator fails to comply with such-section (1), he shall be punishable with fine which may extend to[1][five thousand rupees].

1. Substituted by Act 53 of 2000, Section 196, for "five hundred rupees" (w.e.f. 13-12-2000).

Section 496 - Duty of liquidator to call general meeting at end of each year

(1) Subject to the provisions of section 498, in the event of the winding up continuing for more than one year, the liquidator shall-

(a) call a general meeting of the company at the end of the first year from the commencement of the winding up, and at the end of each succeeding year, or as soon thereafter as may be convenient within three months from the end of the year or such longer period as the Central Government may allow; and

(b) lay before the meeting an account of his acts and dealings and of the conduct of the winding up during the preceding year, together with a statement in the prescribed form and containing the prescribed particulars with respect to the proceedings in, and position of, the liquidation.

(2) If the liquidator fails to comply with sub-section (1) he shall be punishable in respect of each failure, with fine which may extend to[1][one thousand rupees],

1. Substituted by Act 53 of 2000, Section 196, for "one hundred rupees" (w.e.f. 13-12-2000).

Section 497 - Final meeting and dissolution

(1) Subject to the provisions of section 498, as soon as the affairs of the company are fully wound up, the liquidator shall-

(a) make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of; and

(b) call a general meeting of the company for the purpose of laying the account before it, and giving any explanation thereof.

(2) The meeting shall be called by advertisement-

(a) specifying the time, place and object of the meeting; and

(b) published not less than one month before the meeting in the Official Gazette, and also in some newspaper circulating in the district where the registered office of the company is situate.

(3) Within one week after the meeting, the liquidator shall send to the [1] [Registrar and the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] a copy each of the account and shall make a return to each of them] of the holding of the meeting and of the date thereof.

If the copy is not so sent or the return is not so made, the liquidator shall be punishable with fine which may extend to [3] [five hundred rupees] for every day during which the default continues.

(4) If a quorum is not present at the meeting aforesaid, the liquidator shall, in lieu of the return referred to in sub-section (3) make a return that the meeting was duly called and that no quorum was present thereat.

Upon such a return being made within one week after the date fixed for the meeting, the provisions of sub-section (3) as to the making of the return shall be deemed to have been complied with.

[4] [(5) The Registrar, on receiving the account and either the return mentioned in subsection (3) or the return mentioned in sub-section (4), shall forthwith register them.

(6) The [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448], on receiving the account and either the return mentioned in sub-section (3) or the return mentioned in sub-section (4), shall, as soon as may be, make, and the liquidator and all officers, past or present, of the company shall give the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] all reasonable facilities to make, a scrutiny of the books and papers of the company and if on such scrutiny the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] makes a report to the [5] [Tribunal] that the affairs of the company have not been conducted in a manner prejudicial to the interests of its members or to public interest, then, from the date of the submission of the report to the [5] [Tribunal] the company shall be deemed to be dissolved.

(6A) If on such scrutiny the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] makes a report to the [5] [Tribunal] that the affairs of the company have been conducted in a manner prejudicial as aforesaid, the [5] [Tribunal] shall by order direct the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] to make a further investigation of the affairs of the company and for that purpose shall invest him with all such powers as the [5] [Tribunal] may deem fit.

(6B) On the receipt of the report of the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448], on such further investigation the [5] [Tribunal] may either make an order that the company shall stand dissolved with effect from the date to be specified by the [5] [Tribunal] therein or make such other order as the circumstances of the case brought out in the report permit.]

(7) If the liquidator fails to call a general meeting of the company as required by this section, he shall be punishable with fine which may extend to [6] [five thousand rupees].

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1. Substituted by Act 31 of 1965, Section 54, for certain words (w.e.f. 15-10-1965).

2. Substituted by Act 11 of 2003, Section 85, for "Official Liquidator".

3. Substituted by Act 53 of 2000, Section 198, for "fifty rupees" (w.e.f. 13-12-2000).

4. Substituted by Act 31 of 1965, Section 54, for sub-section (5) and (6) (w.e.f. 15-10-1965).

5. Substituted by Act 11 of 2003, Section 85, for "Court".

6. Substituted by Act 53 of 2000, Section 198, for "five hundred rupees" (w.e.f. 13-12-2000).

Section 498 - Alternative provisions as to annual and final meetings in case of insolvency

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Where section 495 has effect sections 508 and 509 shall apply to the winding up, to the exclusion of sections 496 and 497, as if the winding up were a creditors' voluntary winding up and not a members' voluntary winding up:

Provided that the liquidator shall not be required to call a meeting of creditors under section 508 at the end of the first year from the commencement of the winding up, unless the meeting held under section 495 has been held more than three months before the end of that year.

Section 499 to 509 - Provisions applicable to a creditors' voluntary winding up

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Section 499 - Provisions applicable to a creditors voluntary winding up

The provisions contained in sections 500 to 509, both inclusive, shall apply in relation to a creditors' voluntary winding up.

Section 500 - Meeting of creditors

(1) The company shall cause a meeting of the creditors of the company to be called for the day, or the day next following the day, on which there is to be held the general meeting of the company at which the resolution for voluntary winding up is to be proposed, and shall cause notices of the meeting of creditors to be sent by post to the creditors simultaneously with the sending of the notices of the meeting of the company.

(2) The company shall cause notice of the meeting of the creditors to be advertised once at least in the Official Gazette and once at least in two newspapers circulating in the district where the registered office or principal place of business of the company is situate.

(3) The Board of directors of the company shall-

(a) cause a full statement of the position of the company's affairs together with a list of the creditors of the company and the estimated amount of their claims to be laid before the meeting of the creditors to be held as aforesaid; and

(b) appoint one of their number to preside at the said meeting.

(4) It shall be the duty of the director appointed to preside at the meeting of creditors to attend the meeting and preside thereat.

(5) If the meeting of the company at which the resolution for voluntary winding up is to be proposed is adjourned and me resolution is passed at an adjourned meeting, any resolution passed at the meeting of the creditors held in pursuance of sub-section (1) shall have effect as if it had been passed immediately after the passing of the resolution for winding up the company.

(6) If default is made-

(a) by the company, in complying with sub-sections (1) and (2);

(b) by its Board of directors, in complying with sub-section (3);

(c) by any director of the company, in complying with sub-section (4),

the company, each of the directors, or the director, as the case may be, shall be punishable with fine which may extend to[1][ten thousand rupees] and, in the case of default by the company, every officer of the company who is in default, shall be liable to the like punishment.

1. Substituted by Act 53 of 2000, Section 199, for "one thousand rupees" (w.e.f. 13-12-2000).

Section 501 - Notice of resolutions passed by creditors' meeting to be given to Registrar

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(1) Notice of any resolution passed at a creditors' meeting in pursuance of section 500 shall be given by the company to the Registrar within ten days of the passing thereof.

(2) If default is made in complying with sub-section (1), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to1[five hundred rupees] for every day during which the default continues.

For the purposes of this section, a liquidator of the company shall be deemed to be an officer of the company.

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1. Substituted by Act 53 of 2000, Section 200, for "fifty rupees" (w.e.f. 13-12-2000).

Section 502 - Appointment of liquidator

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(1) The creditors and the company at their respective meetings mentioned in section 500 may nominate a person to be liquidator for the purpose of winding up the affairs and distributing the assets of the company.

(2) If the creditors and the company nominate different persons the person nominated by the creditors shall be liquidator:

Provided that any director, member or creditor of the company may, within seven days after the date on which the nomination was made by the creditors, apply to the1[Tribunal] for an order either directing that the person nominated as liquidator by the company shall be liquidator instead of or jointly with the person nominated by the creditors, or appointing the Official Liquidator or some other person to be liquidator instead of the person appointed by the creditors.

(3) If no person is nominated by the creditors, the person if any, nominated by the company shall be liquidator.

(4) If no person is nominated by the company, the person, if any, nominated by the creditors shall be liquidator.]

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1. Substituted by Act 11 of 2003, Section 86, for "Court".

Section 503 - Appointment of committee of inspection

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(1) The creditors at the me eting to be held in pursuance of section 500 or at any subsequent meeting may, if they think fit, appoint a committee of inspection consisting of not more than five persons.

(2) If such a committee is appointed, the company may, either at the meeting at which the resolution for voluntary winding up is passed or at any subsequent general me eting, appoint such number of persons (not exceeding five) as they think fit to act as me mbers of the committee:

Provided that the creditors may, if they think fit, resolve that all or any of the persons so appointed by the company ought not to be members of the committee of inspection.

(3) If the creditors so resolve, the persons mentioned in the resolution shall not, unless the1[Tribunal] otherwise directs, be qualified to act as me mbers of the committee.

(4) On any application to the1[Tribunal] for a direction under sub-section (3), the1[Tribunal] may, if it thinks fit, appoint other persons to act as members of the committee of inspection in the place of the persons me ntioned in the creditors' resolution.

(5) Subject to the provisions of sub-sections (1) to (4) and to such rules as may be made by the Central Government, the provisions of section 465 [except sub-section (1) thereof] shall apply with respect to a committee of inspection appointed under this section as they apply with respect to a committee of inspection appointed in a winding up by the1[Tribunal]

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1. Substituted by Act 11 of 2003, Section 86, for "Court".

Section 504 - Fixing of liquidators' remuneration

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(1) The committee of inspection, or if there is no such committee, the creditors, may fix the remuneration to be paid to the liquidator or liquidators.

(2) Where the remuneration is not so fixed, it shall be determined by the1[Tribunal].

(3) Any remuneration fixed under sub-section (1) or (2) shall not be increased in any circumstances whatever, whether with or without the sanction of the1[Tribunal].

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1. Substituted by Act 11 of 2003, Section 86, for "Court".

Section 505 - Board's powers to cease on appointment of liquidator

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On the appointment of a liquidator, all the powers of the Board of directors shall cease, except insofar as the committee of inspection, or if there is no such committee, the creditors in general meeting, may sanction the continuance thereof.

Section 506 - Power to fill vacancy in office of liquidator

If a vacancy occurs by death, resignation or otherwise, in the office of a liquidator (other than a liquidator appointed by, or by the direction of, the1[Tribunal]), the creditors in general me eting may fill the vacancy.

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1. Substituted by Act 11 of 2003, Section 86, for "Court".

Section 507 - Application of section 494 to a creditors' voluntary winding up

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The provisions of section 494 shall apply in the case of a creditors' voluntary winding up as in the case of a me mbers' voluntary winding up, with the modification that the powers of the liquidator under that section shall not be exercised except with the sanction either of the1[Tribunal] or of the committee of inspection.

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1. Substituted by Act 11 of 2003, Section 86, for "Court".

Section 508 - Duty of liquidator to call meetings of company and of creditors at end of each year

(1) In the event of the winding up continuing for more than one year, the liquidator shall-

(a) call a general me eting of the company and a me eting of the creditors at the end of the first year from the commencement of the winding up and at the end of each succeeding year, or as soon thereafter as may be convenient within three months from the end of the year or such longer period as the Central Government may allow; and

(b) lay before the meetings an account of hi s acts and dealings and of the conduct of the winding up during the preceding year, together with a statement in the prescribed form and containing the prescribed particulars with respect to the proceedings in, and position of, the winding up.

(2) If the liquidator fails to comply with sub-section (1) he shall be punishable, in respect of each failure, with fine which may extend to[1][one thousand rupees].

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1. Substituted by Act 53 of 2000, Section 201, for "one hundred rupees" (w.e.f. 13-12-2000).

Section 509 - Final meeting and dissolution

(1) As soon as the affairs of the company are fully wound up, the liquidator shall-

(a) make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of; and

(b) call a general meeting of the company and a meeting of the creditors for the purpose of laying the account before the meetings and giving any explanation thereof.

(2) Each such meeting shall be called by advertisement-

(a) specifying the time, place and object thereof; and

(b) published not less than one month before the meeting in the Official Gazette and also in some newspapers circulating in the district where the registered office of the company is situate.

(3) Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator shall send to the [1] [Registrar and the [2] [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] a copy each of the account and shall make a return to each of them] of the holding of the meetings and of the date or dates on which they were held.

If the copy is not so sent or the return is not so made, the liquidator shall be punishable with fine which may extend to [3] [five hundred rupees] for every day during which the default continues.

(4) If a quorum (which for the purposes of this section shall be two persons) is not present at either of such meetings, the liquidator shall, in lieu of the return referred to in sub-section (3), make a return that the meeting was duly called and that no quorum was present thereat.

Upon such a return being made within one week after the date fixed for the meeting, the provisions of sub-section (3) as to the making of the return shall, in respect of that meeting, be deemed to have been complied with.

4 [(5) The Registrar, on receiving the account and also, in respect of each such meeting, either the return mentioned in sub-section (3) or the return mentioned in subsection (4) shall forthwith register them.

(6) The 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448], on receiving the account and either the return mentioned in sub-section (3) or the return mentioned in sub-section (4), shall, as soon as may be, make, and the liquidator and all officers, past or present, of the company shall give the 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] all reasonable facilities to make, a scrutiny of the books and papers of the company and if on such scrutiny the 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] makes a report to the 5 [Tribunal] that the affairs of the company have not been conducted in a manner prejudicial to the interests of its members or to public interest, then, from the date of the submission of the report to the 5 [Tribunal] the company shall be deemed to be dissolved.

(6A) If on such scrutiny the 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] makes a report to the 5 [Tribunal] that the affairs of the company have been conducted in a manner prejudicial as aforesaid, the 5 [Tribunal] shall by order direct the 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] to make a further investigation of the affairs of the company and for that purpose shall invest him with all such powers as the 5 [Tribunal] may deem fit.

(6B) On the receipt of the report of the 2 [Official Liquidator referred to in clause (c) of sub-section (1) of section 448] on such further investigation the 5 [Tribunal] may either make an order that the company shall stand dissolved with effect from the date to be specified by the 5 [Tribunal] therein or make such other order as the circumstances of the case brought out in the report permit.]

(7) If the liquidator fails to call a general meeting of the company or a meeting of the creditors as required by this section, he shall be punishable, in respect of each such failure, with fine which may extend to 6 [five thousand rupees].

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1. Substituted by Act 31 of 1965, Section 55, for certain words (w.e.f. 15-10-1965).

2. Substituted by Act 11 of 2003, Section 87, for "Official Liquidator".

3. Substituted by Act 53 of 2000, Section 202, for "fifty rupees" (w.e.f. 13-12-2000).

4. Substituted by Act 31 of 1965, Section 55, for sub-sections (5) and (6) (w.e.f. 15-10-1965).

5. Substituted by Act 11 of 2003, Section 87, for "Court".

6. Substituted by Act 53 of 2000, Section 202, for "five hundred rupees" (w.e.f. 13-12-2000).

Section 510 to 521 - Provisions applicable to every voluntary winding up

Section 510 - Provisions applicable to every voluntary winding up

The provisions contained in sections 511 to 521, both inclusive, shall apply to every voluntary winding up, whether a members' or a creditors' winding up.

Section 511 - Distribution of property of company

Subject to the provisions of this Act as to preferential payments, the assets of a company shall, on its winding up be applied in satisfaction of its liabilities pari passu and subject to such application, shall, unless the articles otherwise provide, be distributed among the members according to their rights and interests in the company.

Section 511A - Application of section 454 to voluntary winding up

1[511A. Application of section 454 to voluntary winding up. -

The provisions of section 454 shall, so far as may be, apply to every voluntary winding up as they apply to the winding up by the 2[Tribunal] except that references to--

(a) the 2[Tribunal] shall be omitted;

(b) the Official Liquidator or the provisional liquidator shall be construed as references to the liquidator; and

(c) the "relevant date" shall be construed as references to the date of commencement of the winding up.]

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1. Inserted by Act 31 of 1965, Section 56 (w.e.f. 15-10-1965).

2. Substituted by Act 11 of 2003, Section 88, for "Court".

Section 512 - Powers and duties of liquidator in voluntary winding up

(1) The liquidator may,-

(a) in the case of a members' voluntary winding up, with the sanction of a special resolution of the company, and in the case of a creditors' voluntary winding up, with the sanction of the1[Tribunal] or, the committee of inspection or, if there is no such committee, of a meeting of the creditors, exercise any of the powers given by2[clauses (a) to (d) of sub-section (1)] of section 457 to a liquidator in a winding up by the1[Tribunal];

(b) without the sanction referred to in clause (a), exercise any of the other powers given by this Act to the liquidator in a winding up by the1[Tribunal];

(c) exercise the power of the1[Tribunal] under this Act of settling a list of contributories (which shall be prima facie evidence of the liability of the persons named therein to be contributories);

(d) exercise the power of the1[Tribunal] of making calls;

(e) call general meetings of the company for the purpose of obtaining the sanction of the company by ordinary or special resolution, as the case may require, or for any other purpose he may think fit.

(2) The exercise by the liquidator of the powers given by clause (a) of sub-section (1) shall be subject to the control of the1[Tribunal]; and any creditor or contributory may apply to the1[Tribunal] with respect to any exercise or proposed exercise of any of the posers conferred by this section.

(3) The liquidator shall pay the debts of the company and shall adjust the rights of the contributories among themselves.

(4) When several liquidators are appointed, any power given by this Act may be exercised by such one or more of them as may be determined at the time of their appointment, or, in default of such determination, by any number of them not being less than two.

1. Substituted by Act 11 of 2003, Section 88, for "Court".

2. Substituted by Act 65 of 1960, Section 179, for "clauses (i) to (iv) of sub-section (2)" (w.e.f. 28-12-1960).

Section 513 - Body corporate not to be appointed as liquidator

(1) A body corporate shall not be qualified for appointment as liquidator of a company in a voluntary winding up.

(2) Any appointment made in contravention of sub-section (1) shall be void.

(3) Any body corporate which acts as liquidator of a company and very director 1 [***] or a manager thereof shall be punishable with fine which may extend to 2 [ten thousand rupees].

3 [Provided that, notwithstanding anything contained in any other law for the time being in force, a body corporate consisting of such professionals as may be approved by the Central Government from time to time, shall be qualified for appointment as Official Liquidator under section 448.]

1. The Words "managing agent, secretaries and treasurers," omitted by Act 53 of 2000, Section 203 (w.e.f. 13-12-2000).

2. Substituted by Act 53 of 2000, Section 203, for "one thousand rupees" (w.e.f. 13-12-2000).

3. Inserted by Act 11 of 2003, Section 89.

Section 514 - Corrupt inducement affecting appointment as liquidator

Any person who gives or agrees or offers to give, to any member or creditor of a company any gratification whatever with a view to-

(a) securing his own appointment or nomination as the company's liquidator; or

(b) securing or preventing the appointment or nomination of some person other than himself, as the company's liquidator; shall be punishable with fine which may extend to1[ten thousand rupees].

1. Substituted by Act 53 of 2000, Section 204, for "one thousand rupees" (w.e.f. 13-12-2000).

Section 515 - Power of Tribunal to appoint and remove liquidator in voluntary winding up

1 [515. Power of Tribunal to appoint and remove liquidator in voluntary winding up

(1) If from any cause whatever, there is no liquidator acting, the Tribunal may appoint the Official Liquidator or any other person as a liquidator.

(2) The Tribunal may, on cause shown, remove a liquidator and appoint the Official Liquidator or any other person as a liquidator in place of the removed liquidator.

(3) The Tribunal may also appoint or remove a liquidator on the application made by the Registrar in this behalf.

(4) If the Official Liquidator is appointed as liquidator under the proviso to sub-section (2) of section 502 or under this section, the remuneration to be paid to him shall be fixed by the Tribunal and shall

be credited to the Central Government.]

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1. Substituted by Act 11 of 2003, Section 90, for section 515 (See Annexe).

Section 516 - Notice by liquidator of his appointment

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(1) The liquidator shall, within1[thirty] days after his appointment, publish in the Official Gazette, and deliver to the Registrar for registration, a notice of his appointment in the from prescribed.

(2) If the liquidator fails to company with sub-section (1), he shall be punishable with fine which may extend to2[five hundred rupees] for every day during which the default continues.

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1. Substituted by Act 31 of 1965, Section 62, and Schedule, for "twenty-one" (w.e.f. 15-10-1965).

2. Substituted by Act 53 of 2000, Section 205, for "fifty rupees" (w.e.f. 13-12-2000).

Section 517 - Arrangement when binding on company and creditors

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(1) Any arrangement entered into between a company about to be, or in the course of being, wound up and its creditors shall, subject to the right of appeal under this section, be binding on the company and on the creditors if it is sanctioned by a special resolution of the company and acceded to by three-fourths in number and value of the creditors.

(2) Any creditor or contributory may, within three weeks from the completion of the arrangement, appeal to the1[Tribunal] against it and the1[Tribunal] may thereupon, as it thinks just, amend, vary, confirm or set aside the arrangement.

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1. Substituted by Act 11 of 2003, Section 91, for "Court".

Section 518 - Power to apply to Tribunal to have questions determined or powers exercised

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1[518 . Power to apply to Tribunal to have questions determined or powers exercised

(1) The liquidator or any contributory or creditor may apply to the Tribunal,--

(a) to determine any question arising in the winding up of a company; or

(b) to exercise, as respects the enforcing of calls, the staying of proceedings or any other matter, all or any of the powers which the Tribunal might exercise if the company were being wound up by the Tribunal.

(2) The liquidator or any creditor or contributory may apply to the Tribunal for an ord er setting aside any attachment, distress or execution put into force against the estate or effects of the company after the commencement of the winding up.

(3) The Tribunal, if satisfied on an application under sub -section (1) or subsection (2) that the determination of the question or the required exercise of power or the order applied for will be just and beneficial, may accede wholly or partially to the application on such terms and conditions as it thinks fit, or may make such other ord er on the application as it thinks just.

(4) A copy of an order staying the proceedings in the winding up, made by virtue of this section, shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the Registrar, who shall make a minute of the ord er in hi s books relating to the company.]

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1. Substituted by Act 11 of 2003, Section 92, for section 518 (See Annexe).

Section 519 - Application of liquidator to Tribunal for public examination of promoters, directors, etc.

1[519 . Application of liquidator to Tribunal for public examination of promoters, directors, etc

(1) The liquidator may make a report to the Tribunal stating that in hi s opinion a fraud has been committed by any person in the promotion or formation of the company or by any officer of the company in relation to the company since its formation; and the Tribunal may, after considering the report, direct that that person or officer sh all attend before the Tribunal on a day appointed by it for that purpose, and be publicly examined as to the promotion or formation or the conduct of the business of the company, or as to hi s conduct and dealings as officer thereof.

(2) The provisions of sub -sections (2) to (11) of section 478 shall apply in relation to any examination directed under sub-section (1) as they apply in relation to an examination directed under sub -section (1) of section 478 with references to the liquidator being sub stituted for references to the Official Liquidator in those provisions.]

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1. Substituted by Act 11 of 2003, Section 92, for section 519 (See Annexe).

Section 520 - Costs of voluntary winding up

All costs, charges and expenses properly incurred in the winding up, including the remuneration of the liquidator, shall, subject to the rights of secured creditors, if any, be payable out of the assets of the company in priority to all other claims.

Section 521 - Saving of right of creditors and contributories to apply for winding up [Repealed]

[Rep. by the Companies (Amendment) Act, 1960 (65 of 1960), Section 181 (w.e.f. 28-12-1960).]