

SECTION 447 OF THE COMPANIES ACT, 2013

▪ **Punishment for fraud-**

Without prejudice to any liability including repayment of any debt under this Act or any other law for the time being in force, any person who is found to be guilty of fraud, shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to ten years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud:

Provided that where the fraud in question involves public interest, the term of imprisonment shall not be less than three years.

For the purposes of this section—

- (i) “fraud” in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;
- (ii) “wrongful gain” means the gain by unlawful means of property to which the person gaining is not legally entitled;
- (iii) “wrongful loss” means the loss by unlawful means of property to which the person losing is legally entitled.

- **Explanation-** Section 447 of the Companies Act, 2013 deals with fraud and its penalties. It defines fraud broadly and prescribes punishment for those found guilty, including imprisonment ranging from six months to ten years and fines up to three times the amount involved in the fraud. If the fraud exceeds ten lakh rupees or affects public interest, the punishment increases to a minimum of three years' imprisonment. Directors, managers, or officers involved in fraud are held accountable unless they prove their innocence. Conspiracy to commit fraud is also punishable. Prosecution requires approval from the Central Government or its specified authority. The section aims to deter fraudulent activities within companies and safeguard stakeholders' interests.