

# **Delisting of Inactive Companies: Statutory Implications on the Issuance of Public Notice by Corporate Affairs Commission (CAC)**

## **Introduction**

Earlier this year, the Corporate Affairs Commission (CAC) had by a notice dated on 31<sup>st</sup> of July 2023, announced the commencement of striking off companies from the Companies Register where such companies fail to file all annual returns and activate their status. The CAC subsequently issued another reminder mandating all companies operating in Nigeria to file their annual returns and the consequences of non-compliance. In this article, we take a cursory look at the statutory Implications of compliance or non-compliance with the annual returns filing obligations through the lenses of the relevant statutory regulations.

## **Statutory Provisions**

Pursuant to the provisions of Section 425 (1) of Companies and Allied Matters Act (CAMA) 2020, every registered company in Nigeria is required to file its annual returns with the CAC. However, in the event of failure with this obligation, the provision of Section 416 – 423, CAMA are cumulatively to the effect that such company and every director or officer of the company shall be liable to a penalty as may be determined by the CAC. Further, by Section 692(3) CAMA 2020, the CAC is empowered to delete registered companies from its database if they fail to file annual returns establishing their business operation for a consecutive period of 10 years.

## **Statutory Implications in line with issued Public Notice**

Notably, the position of the recent notice establishes that the Companies Regulations 2021 in line with Section 425(1) of CAMA 2020 prescribe stiffer penalties for non-compliance than those currently applied by the Commission. To this end, the Commission has announced that from 1st January 2024, it will fully enforce the penalties provided by the Companies Regulations for failure to file annual returns. The implication herein is that the penalties will be imposed on both companies and their directors or officers. The Commission will by this notice now take actions against the directors and officers of struck-off companies to recover any outstanding penalties.

## **Conclusions**

The necessity of reactivation of registration status by filing all annual returns is not to be over-emphasized as its repercussions goes beyond delisting to eventual recovery on personal notes, hence, it is crucial for all defaulting companies, directors, and officers to take advantage of the time between the publication of this notice and 1st January 2024, to promptly file their annual returns with the Commission and rectify their inactive status.