



## **Highlights of Proposals under Corporate Laws (Amendment) Bill, 2026**

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The Corporate Laws (Amendment) Bill, 2026 (“the Bill”) has proposed another string of amendments to the young Companies Act, 2013 (the Act) with an intent to sharpen governance. The reform seems to have been based on the recommendations of the 2025 High Level Committee on Non-financial Regulatory Reforms with a special focus on further improving governance, apart from decriminalization of technical defaults. The Bill has now been referred to JPC for a detailed scrutiny. Some major highlights of the Bill are discussed herein.

### **Small Company becomes big**

Section 2(85) of the Act which defines “Small Company” with specific thresholds on capital and turnover has been enhanced. While the paid-up capital has been increased from Rs.10 crore to Rs 20 crore, the turnover limit has been enhanced from Rs.100 crore to Rs.200 crore. The proposed change is expected to bring more of mid-sized companies to enjoy relaxed compliance norms. This is an interesting step towards ease of doing business. Thus, a case has been made for identifying micro companies in future to remove all compliances except a board’s report!

### **Exemption from statutory audit**

The Bill proposes Section 139(12), which empowers the Central Government to exempt specific classes of companies from the mandatory requirement of appointing statutory auditors. This reflects a policy shift toward reducing the professional cost of compliance for emerging businesses, provided they meet prescribed conditions of scale and operation. However, since income tax and GST requires substantial support and assessing, analyzing, computing, vouching, verifying, auditing books of account, books and papers, and certifying returns, it would have been good if the audit requirements had been simplified instead of doing away with, unless the entity is a micro enterprise. There is another angle to this proposal. One should also remember that in far flung areas, rural and semi-urban areas, only small companies may be available and they need a lot of support from auditors and auditors situated in those places too will gain experience though audits of such companies.

### **Decriminalization and Standardisation of fines / penalties**

Another significant proposal is to de-criminalise offences under the Act. The impetus is to shift discretionary fines and imprisonment with standardized fixed but increased penalties. Accordingly, fines / penalties relating to offences relating to contravention in issuance of prospectus, defaults in listing requirements, default in compliances relating to loans and advances, buyback, failure to maintain proper books of account, defaults relating to compliances improper use of ‘private limited’ or ‘limited’, continuing to function as a director post vacation of office have all been standardised.

### **Proposals relating to Securities**

The Bill proposes to introduce new Section 43A, which permits companies set up in an IFSC jurisdiction to issue and maintain share capital in permitted foreign currencies. This provision extends to the maintenance of books of account and financial statements in foreign currency, providing a seamless operational environment for global entities within Indian jurisdictions.



Furthermore, the Bill proposes executive compensation through various share-linked benefits. Amendments have been proposed to Sections 42, 62, and 68 to include references to 'other schemes linked to the value of the share capital,' effectively providing statutory recognition to instruments such as Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs) in addition to conventional ESOPs. These share-linked benefits will require shareholder approval.

The provisions relating to buy-back under Section 68 are proposed to be relaxed for debt-free companies as notified by the government. Accordingly, it is proposed that up to two buy-back offers can be undertaken in a single year, provided a six-month interval is maintained between them against the current one-year cooling-off period. Additionally, the Bill to replace verified affidavit for the declaration of solvency under Section 68(6), with a simpler self-declaration format. It would have been good if the proposals had brought entire Section 66 itself as part and parcel of Section 230 instead of having two different provisions, and procedures. For instance, in Section 66 of the Act, reduction of share capital simpliciter, after the passing of special resolution a minimum mandatory "90 days" notice period is prescribed for the creditors and regulatory authorities to file objections. Thus, between Section 66 and Section 230, there is neither time efficiency nor cost efficiency.

### **Electronic and Hybrid Meetings**

The Bill formalizes the use of technology in corporate decision-making through amendments to Sections 96 and 100 by permitting companies to hold their Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) through video conferencing or other audio-visual means. However, to preserve traditional accountability, Section 96(3) mandates that every company must still hold a physical AGM at least once every three years. Section 101 is proposed to be amended by providing reduction of notice period for EGMs conducted wholly through electronic mode to 7 days to facilitate faster corporate actions in urgent scenarios.

### **Active Website**

It is proposed to introduce a new Section 12A, which requires prescribed classes of companies to maintain an active website and necessitate electronic modes of communication for official intimations. However, it would have been good if it had been said that all companies other than micro and small companies must have an active and interactive website.

### **Relaxation to Corporate Social Responsibility (CSR) threshold**

The net profit threshold for the mandatory constitution of a CSR Committee is proposed to increase from INR 5 crore to INR 10 crore. Section 135(9) is being amended to allow companies with a CSR obligation of up to INR 1 crore (up from INR 50 lakh) to discharge their functions directly through the board of directors, eliminating the need for a separate committee. The Bill also proposes relaxation by extending the timeline to transfer unspent CSR funds for ongoing projects into a specialized account from 30 days to 90 days.

### **Director Accountability and KMP Resignations**

Eligibility for directorship is being made stringent through the introduction of "fit and proper" criteria under Section 164. The board of the company is now responsible for assessing candidates based on prescribed qualitative standards. The tenure of additional directors under Section 161 is being shortened such that they can hold office only until the next general meeting or for three months,



whichever is earlier. Dis-qualification of directors arising out of non-filing of financial statements is proposed to be reduced from three financial years to two financial years.

The Bill proposes to introduce Section 203A, which provides for the resignation of whole-time Key Managerial Personnel (WKMPs) who are not directors. WKMPs can resign by providing a written notice to the Board, and such resignation must be intimated to the Registrar in the prescribed manner.

### **Strengthening of NFRA and Registered Valuers**

The Bill significantly bolsters the National Financial Reporting Authority (NFRA) and the registered valuers. Under Section 132, NFRA is now designated as a body corporate with the power to sue, be sued, and exercise general superintendence over its affairs. New sections 132A to 132K introduce a rigorous regime for auditor registration, the filing of returns, and the establishment of a dedicated NFRA Fund. NFRA is also granted the power to issue directions in the public interest and impose penalties after holding formal inquiries.

The Insolvency and Bankruptcy Board of India (IBBI) is proposed to be officially designated as the Valuation Authority under Section 247. This move requires registered valuers to meet specific qualifications and registration standards. The Bill mandates that all valuations required under the Act i.e. per Section 247 must be performed by such registered valuers, who are now subject to strict disciplinary oversight by the IBBI.

### **Schemes of Arrangement**

In respect of mergers and amalgamations under Sections 230 to 233 involving companies in different States, all applications can now be filed before the NCLT bench having jurisdiction over the transferee company. This avoids the delays in obtaining orders from multiple benches in different states to avoid delays. In respect of fast-track mergers under Section 233, the approval requirement for creditors is being reduced from 90% in value to at least three-fourths (75%) in value, aligning it with the requirements for regular mergers.

An important addition is the new Section 233A, which addresses the treatment of treasury shares held in the name of a company or trust following a merger. To prevent the indefinite misuse of voting rights through such shares, the Bill mandates their cancellation or disposal within a three-year sunset period. Failure to comply within this timeframe will lead to automatic cancellation, treated as a capital reduction apart from penalties.

The Corporate Laws (Amendment) Bill, 2026 proposes further simplification of compliances while strengthening governance.

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