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CORPORATE LAWS (AMENDMENT) BILL, 2026, NAVIGATING YET ANOTHER CORPORATE LAW REFORMS

INTRODUCTION

The Corporate Laws (Amendment) Bill, 2026 ("**Bill**") was earlier introduced before the Indian Parliament viz, the Lok Sabha, on March 23, 2026, by the Hon'ble Union Finance and Corporate Affairs Minister. In continuation of the Government's constant endeavour to facilitate greater ease of doing business for corporates, the Bill, amongst others, proposes certain radical amendments to the [*Indian*] Companies Act, 2013, the mother legislation of a company form organisation in India ("**Companies Act**") and the [*Indian*] Limited Liability Partnership Act, 2008 ("**LLP Act**"), representing an overhaul of India's corporate law and associated regulatory framework essentially in the context of Government's motto viz, "*Less Government, More Self-Governance*".

The amendments proposed under the Bill are essentially based on the following recommendations:

(i) Recommendations made under the Company Law Committee Report, 2022 which was submitted before the Ministry of Corporate Affairs, Government of India ("**MCA**"). Significantly mentioning, the Company Law Committee Report, 2022 recommended, *inter alia*, measures to further enhance ease of doing business in India; and

(ii) Recommendations made under the High-Level Committee on Non-Financial Regulatory Reforms, constituted to recommend the next-generation regulatory reforms across non-financial sector laws.

The Bill after having placed before Lok Sabha, was subsequently referred to a Joint Parliamentary Committee of Indian Parliament ("**JPC**") for their review and detailed examination. The JPC reviewed the Bill at length after considering, *inter alia*, various suggestions/recommendations received from various legal and industry experts and other stakeholders. The report of the JPC was subsequently placed before both the Houses of the Parliament viz, the Lok Sabha and the Rajya Sabha, on August 3, 2026, and the Bill as reported by JPC is currently pending for approval by Indian Parliament.

Broadly mentioning, the Bill, in relation to the Companies Act, seeks to achieve the following:

(i) Modernising corporate governance framework;

(ii) Decriminalising procedural / technical defaults and lapse;

(iii) Ensuring further ease of compliance, including carrying out drafting and clarification changes to remove ambiguities;

(iv) Streamlining existing regulatory practices to further strengthen and improve the operational efficiency;

(v) Recognising globally prevailing concepts such as stock appreciation rights and other similar share-related benefits, in light of evolving corporate landscape and changing business practices; and

(vi) Facilitating greater digitisation in the context of corporate functioning.

Accordingly, towards achieving the aforesaid objectives, the Bill seeks to align the corporate regulatory framework with modern day business realities and enhance the overall ease of doing business. Further, it is pertinent to note that, different provisions of the Bill may be brought into force on different dates upon its enactment. Accordingly, the amendments proposed under the Bill, may be implemented in a phased manner, as the MCA may deem fit.

KEY AMENDMENTS UNDER THE COMPANIES ACT

The key amendments proposed under the Bill under the Companies Act are set out below:

(i) **Upward revision of monetary thresholds defining 'small company':** The upper monetary thresholds (in terms of paid-up share capital and turnover) prescribed for defining a 'small company' under Section 2(85) of the Companies Act, are proposed to be doubled.

Accordingly, the paid-up share capital threshold is proposed to be increased from INR 10 crore to INR 20 crore, and the turnover threshold is proposed to be increased from INR 100 crore to INR 200 crore.

The proposed revision of both the thresholds (i.e., paid- up share capital and turnover) is expected to significantly expand the number of private companies which would accordingly qualify as 'small companies', thereby enabling a larger number of private companies to avail various relaxations / exemption as available to small companies under the Companies Act.

(ii) **Realignment of financial year:** The Bill empowers the MCA to permit companies to realign their financial year to the standard financial year ending on March 31. This relaxation would be available to companies that had previously adopted a different financial year pursuant to an approval under Section 2(41) of the Companies Act, or where the company intends to realign its financial year due to certain commercial considerations or legitimate business circumstances. The proposed amendment would greatly benefit Indian companies operating essentially with foreign parent companies or as part of global joint ventures, by facilitating alignment of their financial reporting periods with those of their international groups or joint venture partners.

(iii) **Share capital of International Financial Services Centre (IFSC) companies:** A new Section 43A proposes IFSC companies to issue and maintain share capital in permitted foreign currency, prepare books and financial statements in foreign currency and use foreign currency for regulatory filings. However, such IFSC companies are required to pay fees, fines and penalties in Indian currency only. The proposed amendment is particularly significant for cross-border M&A transactions, as it would enable IFSC companies to natively operate with foreign currency denominated share capital and financial reporting. The proposed framework could reduce the structural and currency related frictions associated with using an Indian corporate vehicle for cross-border transactions and enhance the attractiveness of IFSCs as an alternative jurisdiction for holding and investment structures.

(iv) **Statutory recognition to other forms of employee compensation instruments (i.e., RSUs and SARs):** Section 62(1)(b) of the Companies Act is proposed to be amended to expressly permit further issue of shares to employees under schemes linked to the value of the share capital, in addition to conventional employee stock option schemes ("**ESOPs**"). The amendment would formally recognise instruments such as Restricted Stock Units ("**RSUs**") and Stock Appreciation

Rights ("**SARs**") as forms of employee compensation that may be issued with shareholder approval.

Under the existing framework, only conventional ESOPs are expressly recognised under the Companies Act. Although RSUs, SARs and similar instruments are widely used in practice, however, they do not have an explicit statutory basis under the Companies Act. Consequently, companies, particularly private and unlisted companies, have generally had to structure such arrangements within the existing ESOP framework, notwithstanding the differences in the economic and structural characteristics of these instruments.

The proposed amendments would provide statutory recognition to RSUs, SARs and similar share-based compensation instruments, thereby bringing the framework in line with globally recognised and prevailing standards concerning employees compensation through such equity compensation structures.

(v) **Buy-back of shares:** The Bill proposes to amend Section 68 of the Companies Act to provide greater flexibility under the buy-back framework which, *inter-alia* include:

a) **Higher buy-back limit for certain class of companies:** Currently the maximum buy-back size is capped at 25% of the aggregate of paid-up share capital and free reserves for all classes of companies. Under the Bill, MCA is empowered to provide certain class of companies that would be permitted to undertake buy-back up to 25% or such higher percentage of their paid- up capital and free reserves. Such enabling clause is likely proposed essentially for companies that are debt-free However, the buy-back of equity shares in any financial year would continue to be subject to a separate cap of 25% of the company's total paid-up equity capital in that financial year;

b) **Two buy-backs in a year**: Enabling prescribed class of companies to make up to two buy-back offers within a period of one year reckoned from the date of commencement of first buy-back (subject to a minimum gap of six months between the closure of the first buy-back offer and opening of second buy-back);

c) **Simplified declaration of solvency**: The existing affidavit-based declaration of solvency is proposed to be replaced with a plain self-declaration, thereby simplifying the procedural requirements and reducing the execution timelines associated with a buy-back.

(vi) **Extended timeline for charge registration:** The Bill empowers the MCA to prescribe certain classes of small companies for which the additional period available for registration of charges under Section 77(1) would be increased from 60 days to 120 days. The proposed amendment would provide greater flexibility to eligible small companies and reduce the risk of inadvertent non-compliance, particularly in complex financing transactions where documentation, lender confirmations and internal approvals may delay the filing process.

(vii) **Virtual annual general meeting ("AGM") / extra- ordinary general meeting ("EGM"):** The Bill proposes to amend Section 96 of the Companies Act to provide greater flexibility for companies to conduct AGM and EGM through physical, virtual or hybrid modes, as a default arrangement. It further mandates at least one physical AGM must be held within every three-year period. Further, where members holding at least one-tenth of the share capital or voting

power requisition a hybrid meeting under Section 100(2), the company is obliged to hold the meeting in hybrid mode. The Bill also proposes to reduce the notice period for virtual EGM to 7 (seven) days, as opposed to the existing requirement of 21 (twenty-one) days. The formalisation of virtual and hybrid meeting mechanism is a welcome measure, as it facilitates larger shareholder participation, particularly for companies with geographically dispersed shareholder bases.

(viii) **Additional disclosures in the Board report:** The Bill proposes new mandatory disclosures in the Board report in terms of Section 134 of the Companies Act, which are as under:

a) The Board report will be required to provide *explanations or comments on any auditor observations relating to financial transactions or matters having an adverse effect on the company's functioning, as well as any qualifications, reservations, or adverse remarks relating to the maintenance of accounts*;

b) Where the Board has not accepted any recommendations of the Audit Committee, a statement setting out *the reasons for non-acceptance must be disclosed in the Board report*.

(ix) **Corporate Social Responsibility (CSR):** The Bill proposes several amendments to Section 135 of the Companies Act aimed at simplifying the compliance requirements under the CSR framework. The key proposed changes are set out below:

a) **Increase in CSR applicability threshold**: The net profit threshold for triggering CSR obligations is proposed to be increased from INR 5 crore to INR 10 crore, while the existing net worth and turnover thresholds remain unchanged. The proposed increase in the net profit threshold is a significant relaxation and is likely to exclude a significant number of smaller and mid-sized companies from the CSR regime entirely, reducing the overall scope of mandatory CSR applicability and easing the compliance burden for smaller and mid-sized companies.

b) **Exemption from constitution of CSR Committee:** The threshold for exemption from constituting a CSR Committee under Section 135(9) is proposed to be increased from INR 50 lakh to INR 1 crore in respect of companies whose CSR expenditure obligation does not exceed the prescribed threshold.

c) **Extension of timeline for transfer of unspent CSR amounts:** The period for transferring the unspent CSR amounts relating to ongoing projects to the Unspent CSR Account is proposed to be extended from 30 days to 90 days. The proposed relaxation in timelines would provide operational relief to the companies for year-end compliance management.

The JPC has additionally recommended that a corresponding period for 90 days be provided for transferring amounts remaining unspent in relation to ongoing projects after the expiry of the prescribed three-year period to the funds specified in Schedule VII.

d) **Power to exempt classes of companies:** The Bill proposes to introduce Section 135(10), empowering the MCA to exempt certain classes of companies, subject to prescribed conditions, from compliance with Section 135 of the Companies Act.

e) **Negative list of implementing agencies**: The MCA would maintain a list of implementing agencies that have acted in contravention of any applicable law or are prohibited from receiving such funds under any statutory provision or order of a competent authority. Any funds contributed by companies to such entities towards CSR activities would not qualify as CSR expenditure.

(x) **Exemption from appointment of auditor:** The Bill proposes to exempt certain prescribed classes of private companies from the requirement to appoint a statutory auditor under Section 139. The amendment introduces a rule making power enabling the MCA to calibrate audit obligations based on company profile, with small companies being the primary intended beneficiaries.

(xi) **Reforms under DIN framework**: Section 154 of the Companies Act is amended to provide that no person shall be appointed or continue to function as a director unless the director identification number ("**DIN**") remains valid and has not been deactivated or cancelled. Section 154 is simultaneously expanded to introduce a lifecycle-based framework for DIN administration, including mandatory periodic verification, deactivation or cancellation in specified circumstances (including on grounds of disqualification of director under Section 164), and a framework for voluntary surrender and subsequent reactivation. The Bill further proposes to address the issue of individuals holding multiple DINs by requiring an individual in possession of more than one DIN to apply for surrender of additional DIN. The proposed amendments therefore shift the status of DIN from a one-time identifier to a continuing compliance-based control mechanism.

(xii) **Additional director and tenure restrictions:** The Bill proposes to amend Section 161 of the Companies Act to provide that an additional director may hold office only until the next general meeting or for a maximum period of 3 (three) months from the date of appointment, whichever is earlier. A similar timeline is proposed for appointments made to fill casual vacancies in respect of non-retiring directors. In case of listed entities, Regulation 17(1C) of the SEBI Listing Regulations already prescribes a three-month outer limit for obtaining shareholder approval for the appointment of a director, although there is currently no corresponding statutory time limit under the Companies Act. The proposed amendment would therefore align the statutory framework with the existing requirement applicable to listed entities.

Simultaneously, the Bill proposes to introduce a new restriction restricting the Board from appointing an individual, as an additional director, alternate director or to fill a casual vacancy, whose appointment has previously been not considered or rejected by the shareholders at a general meeting, unless prior shareholder approval is obtained.

The proposed amendments limit the ability of the Board to use interim appointments to retain directors in office beyond a short, defined period without shareholder approval. The restriction on reappointing individuals whose appointment has previously been rejected by shareholders further reinforces shareholder primacy in determining the composition of the Board and seeks to prevent the use of additional director or other interim appointment mechanisms to circumvent an adverse shareholder vote.

(xiii) **Grounds for director disqualification:** The Bill proposes to expand the grounds for disqualification of directors. In particular, it introduces an additional category of ineligibility, under which a person would be ineligible for appointment as a director if, during the immediately preceding two financial years or the current financial year, such person has served as an auditor, secretarial auditor, cost auditor, registered valuer or insolvency professional of the company or its holding, subsidiary or associate company under the Companies Act or the Insolvency and Bankruptcy Code, 2016 ("**IBC**"). Further, where the audit, secretarial audit or cost audit of a company is conducted, or valuation or insolvency professional services are provided, by a partnership firm or a limited liability partnership, the partner or partners who conducted such audit or provided such services would also be ineligible for appointment as a director.

Additionally, the Bill proposes to reduce the period of non-filing of financial statements or annual returns by a company triggering disqualification, from three consecutive financial years to two consecutive financial years. The Bill further proposes that upon incurring such disqualification consequent upon non-filing / default by a company as aforesaid, the office of director shall become vacant in every company, where he is director (including the company which is in default), after six months from the date of incurring such disqualification or upon expiry of his tenure in such company, whichever is earlier.

(xiv) **Frequency of Board meetings:** One Person Companies, small companies, and dormant companies will now be required to hold only one Board meeting per calendar year, reduced from the current requirement of one meeting in each half-year (minimum gap of 90 days). The administrative overhead involved in convening, minuting, and filing such meetings has been disproportionate to the governance utility they yield at companies of this scale.

(xv) **Flexible cap on number of directorships**: The Bill proposes to amend Section 165 of the Companies Act to empower the MCA, by notification, to lower directorship limit for specified classes of companies or categories of directors. This delegation of power introduces a degree of regulatory unpredictability in the framework. A consequential amendment is also proposed, to substitute the words "of twenty companies" with "under this section" to align the language with the revised framework. As a result, a director who is presently compliant with the applicable limits may find themselves in default not by reason of any change in their own conduct, but purely because of future notification.

(xvi) **Director disclosure of interest**: The Bill proposes to amend Section 184 of the Companies Act to remove the requirement for directors to furnish an annual disclosure of interest at the first Board meeting of every financial year. This obligation is proposed to be replaced with an event-based disclosure regime, under which directors would be required to disclose their interests only upon any change therein.

The proposed amendment adopts a more practical, event driven approach to disclosure of interest by eliminating the need for annual reiteration where there has been no change in a director's interests. However, this would also place a greater onus on directors to actively monitor their interests and ensure timely disclosure of any changes therein.

(xvii) **Age criteria for appointment of MD, WTD or Manager:** The Bill proposes to amend Section 196(3)(a) of the Companies Act to reduce the minimum age for appointment as a Managing Director, Whole-time Director or Manager from **21 years to 18 years**, while increasing the maximum age from **70 years to 75 years**.

The proposed amendment would provide greater flexibility in the appointment of younger individuals to senior management positions, while facilitating the continuation of individuals in such positions up to the age of 75 years.

(xviii) **Resignation framework for non-director key managerial personnel ("KMP"):** The Bill proposes to insert a new Section 203A to establish a formal resignation framework for whole-time KMPs (who are not directors), such as chief financial officer or company secretary. Under the proposed framework, a KMP (not being a director) may resign by providing written notice to the company, following which the Board would be required to take note of the resignation and intimate the Registrar. If the company fails to do so, the KMP may directly forward a copy of the resignation, along with the reasons for resignation, to the Registrar. The resignation would take effect from the date mutually agreed between the KMP and the company or the date determined in accordance with the contract of employment between the KMP and the company, whichever is earlier.

(xix) **Consolidation of National Company Law Tribunal ("NCLT") jurisdiction in multi-state merger proceedings:** The Bill proposes to streamline the approval process for schemes of arrangement involving companies having registered offices in different states. Under the existing framework, each company participating in a scheme is required to file separate application before the NCLT bench having territorial jurisdiction over its respective registered office. This results in parallel proceedings before multiple NCLT benches, duplication of procedural requirements, increased costs, and the potential risk of divergent orders across NCLT benches.

To address this challenge, the Bill proposes that a single application to be filed before the NCLT bench having jurisdiction over the registered office of transferee company (or the resultant company, in case of demerger). Such NCLT bench would have jurisdiction to consider and approve the entire scheme, regardless of where transferor entities are domiciled. However, the JPC has clarified that the proposed mechanism would only apply to domestic scheme of arrangements and would not apply to cross-border schemes.

The proposed amendment is expected to significantly simplify and streamline the implementation of schemes of arrangement involving entities incorporated across multiple States. By eliminating the need for parallel proceedings before multiple NCLT benches, the amendment is expected to reduce procedural duplication, costs and transaction timelines for complex multi-location schemes.

(xx) **Threshold rationalisation for fast-track mergers under Section 233:** The Bill proposes to significantly ease the approval thresholds applicable to fast-track mergers under Section 233 of the Companies Act. The threshold for member approval is proposed to be reduced from 90% of total number of shares to 75% of the value in shares held by members present and voting. Similarly, the creditor approval threshold is proposed to be reduced from 9/10th in value to at least 3/4th in value of the creditors present and voting. It is pertinent to note that, in the Bill as originally introduced, the "present and voting" criterion was proposed to apply only to member approvals and was not extended to the creditor approval threshold. The JPC has, however, recommended an amendment to expressly extend the "present and voting" criterion to creditor approvals as well.

The proposed amendments are expected to ease the approval process for fast-track mergers and address a longstanding practical challenge, particularly for companies with dispersed shareholding, where securing approval from holders representing 90% of the total issued share capital was often difficult. By lowering the thresholds and linking them to members and creditors actually participating in the voting process, the amendments are expected to make the fast-track merger route more accessible and transaction friendly.

(xxi) **Treasury shares- closing a decade-long governance gap:** While Sections 230 and 232 of the Companies Act expressly require any treasury shares arising pursuant to a compromise or arrangement to be cancelled and extinguished, however the Companies Act has remained silent on the treatment of treasury shares that came into existence prior to the commencement of the Companies Act (i.e., created under the erstwhile Companies Act, 1956). To address this legislative gap and prevent the continued existence or potential misuse of voting rights attached to such legacy treasury shares, the proposed Section 233A introduces a three-year sunset period within which all existing treasury shares must be disposed of or cancelled in the prescribed manner. Upon the expiry of such period, treasury shares will cease to carry any voting or economic rights and, where the company fails to comply with the prescribed requirements, such shares shall stand cancelled or extinguished by operation of law. The resulting extinguishment or cancellation will be deemed to constitute a reduction of share capital under Section 66 of the Companies Act. In addition, the company and every officer in default will be liable to a continuing penalty of INR 10,000 for each day during which the default continues.

It may be noted that several of India's largest conglomerates hold treasury shares of considerable value (typically ranging between approximately 2-5% of the company's share capital) accumulated over decades. The disposal of shareholding of this magnitude, through the secondary market or other permissible modes, is inherently dependent on prevailing market conditions, liquidity, and investor appetite. Although the transition period provides companies with a reasonable opportunity to regularise their capital structure, timely planning will be essential to facilitate a tax-efficient disposal at fair value while minimising potential disruption to the market and protecting shareholder value.

(xxii) **Expanded grounds for strike-off and revival jurisdiction:** The Bill proposes to broaden the grounds for striking off a company to include cases where, during the preceding two financial years and the current financial year, the company has not carried on any business or has not undertaken any "significant accounting transactions" (as defined under Section 455) during the preceding two financial years and in the current financial year, or has failed to file its financial statements or annual returns for two consecutive financial years preceding the previous financial year.

With respect to revival, the Bill proposes to bifurcate the jurisdiction based on the period elapsed since the date of strike-off. Applications made within three years from the date of strike-off would lie before the Regional Director, while applications made after three years but within twenty years would lie before the NCLT. This is intended to provide a faster and more decentralised mechanism for recent cases, while reserving NCLT jurisdiction for older or potentially more complex matters.

(xxiii) **IBBI as Valuation Authority:** The Bill proposes to designate the Insolvency and Bankruptcy Board of India ("**IBBI**") as the "Valuation Authority" for the purposes of Section 247 and substantially expands the regulatory framework governing registered valuers. The IBBI will be

responsible for registration, oversight, qualification and standards, compliance monitoring, inspections, investigations, and imposing penalties, suspensions, or cancellations for non-compliance. By designating IBBI as the Valuation Authority, the Bill creates a specialised regulator with end-to-end oversight of the valuation ecosystem, reducing regulatory fragmentation and fostering greater uniformity in valuation practices across corporate and insolvency contexts.

(xxiv) **Strengthening of NFRA:** The Bill significantly expands the institutional, regulatory and enforcement framework of the National Financial Reporting Authority ("**NFRA**") through the insertion of Sections 132A to 132K. Auditors of companies falling within the jurisdiction of NFRA will be required to register with NFRA and make periodic filings. NFRA will also be empowered to issue directions, conduct inquiries, impose monetary penalties, levy fees, frame regulations and recover unpaid penalties. The amendments further provide for the establishment of a dedicated NFRA Fund, an appellate mechanism against orders imposing penalties, and the exclusion of civil court jurisdiction in respect of matters entrusted to NFRA. Collectively, these amendments are expected to substantially enhance NFRA's supervisory, regulatory and enforcement capabilities.

(xxv) **Rectification of documents filed with the Registrar:** The Bill proposes to insert a new Section 398A on the recommendation of JPC to enable companies or other persons to rectify clerical, calculation or typographical errors in documents filed with the Registrar, through a prescribed application process and upon payment of the prescribed fee. The rectification mechanism would be subject to specified safeguards, including a one-year time limit and restrictions where proceedings are ongoing or the error relates to creation, modification or satisfaction of a charge. The rectified filing would also require certification confirming the nature of the error and that the rectification does not misrepresent the company's affairs.

(xxvi) **Application of the Digital Personal Data Protection Act, 2023:** The Bill proposes to insert a new Section 402A on the recommendation of JPC to provide that the provisions of the Digital Personal Data Protection Act, 2023 and rules made thereunder relating to consent and processing of digital personal data, to the extent not inconsistent with the Companies Act, would apply to electronic records maintained under Sections 398 to 401. The JPC has further recommended that the MCA, in consultation with Ministry of Electronics and Information Technology and other relevant stakeholders, to develop the necessary rules, directions and technical safeguards for implementation.

(xxvii) **Refund of fees or other payments:** The Bill proposes to insert a new Section 403A on the recommendation of JPC to provide a statutory mechanism for seeking refunds of fees or other payments made under the Companies Act, including where fees are paid without successful filing of a form or where fees or penalties are paid twice. Applications would be required to be made in the prescribed manner within three years, or such other period as may be prescribed.

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