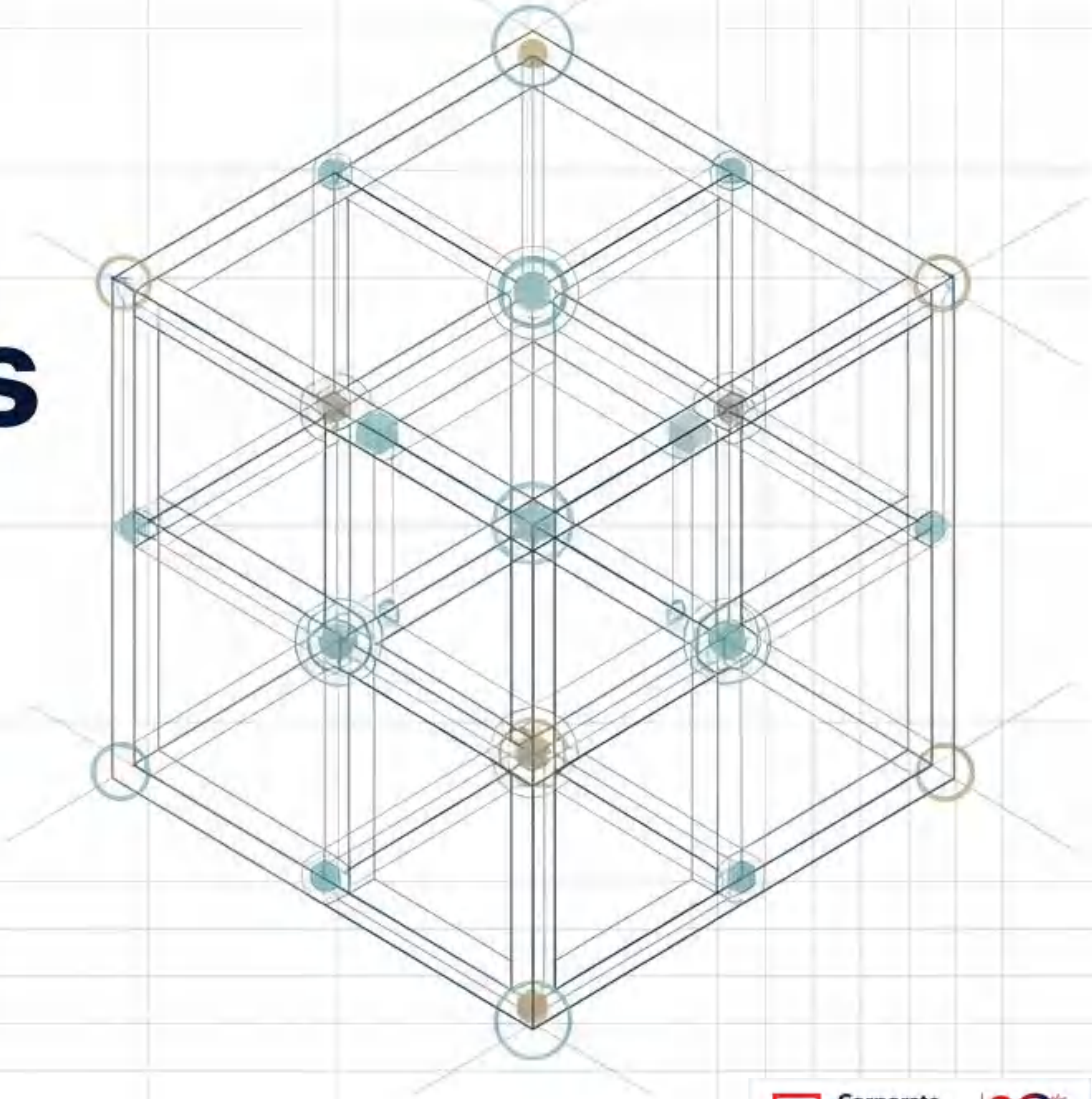
Decoding the Corporate Laws (Amendment) Bill, 2026

Key Reforms & Industry Impact



1) Major reforms for IFSC ecosystem & boost to IFSCA (Gift City)

Corporate Innovations

[Sec 43A]

Issue/maintain share capital, prepare books of account, and file documents in a permitted foreign currency.

[Sec 43A]

Penalties in INR: All fees, fines, and penalties under the Act remain payable in Indian Rupees.

Specified IFSC LLP Mandates

- **Registration:** Must maintain registered office in IFSC and use suffix 'International Financial Services Centre LLP'.
- **Financials:** Partner contributions accounted/disclosed in foreign currency (books in INR allowed if IFSCA permits). Pre-2026 LLPs receive transition rules for conversion.
- **Agreements & Filings:** IFSCA regulated LLPs to file agreement changes as prescribed, with partner changes furnished annually.

2) Facilitating to setting up AIFs in LLP form

Structural Conversion

The Input: Specified Trust

Defined as a trust established under the Indian Trusts Act, 1882 (or Central/State Act) and registered with SEBI or IFSCA.

The Output: LLP Entity

Enables the legal conversion and registration of these specified trusts into LLPs. This adds to the existing allowance for firms, private companies, and unlisted public companies.

Streamlined Compliance

- For SEBI/IFSCA regulated LLPs, filing of LLP agreement changes will be prescribed by rules.
- Details of changes in partners must be furnished to the Registrar strictly on an annual basis.

3) Decriminalisation & Rationalisation

Transitioning to In-House Adjudication (Part 1/3)

Offence [Section]	Current Fine	Proposed Penalty (Company)	Proposed Penalty (Officer)
Buy-back Defaults [Sec 68(11)]	Min ₹1L / Max ₹3L	Listed Co: ₹25L. Unlisted Co: ₹2L.	Listed Co: ₹5L. Unlisted Co: ₹2L.
AGM Defaults [Sec 99]	Max ₹1L (+₹5k/day)	₹1L (+₹5k/day, Max ₹2L)	Max ₹50,000
Books of Account [Sec 128(6)]	Min ₹50k / Max ₹5L	-	Listed Co: ₹5L. Unlisted Co: ₹50,000 (MD/WTD/CFO).
Vacation of Office [Sec 167(2)]	Min ₹1L / Max ₹5L	-	Listed Co: ₹5L. Unlisted Co: ₹2L.

Corporate Professionals
WHERE EXCELLENCE IS LAW

3) Decriminalisation & Rationalisation

Transitioning to In-House Adjudication (Part 2/3)

Offence [Section]	Current Fine	Proposed Penalty (Company)	Proposed Penalty (Officer)
Inspection/Inquiry Failures **[Sec 206(7)]**	Max ₹1L (+₹500/day)	**₹1L** (+₹500/day, Max ₹5L)	**₹25k** (+₹200/day, Max ₹1L)
Strike-off Violations **[Sec 249(2)]**	Max ₹1L	**Fixed at ₹50,000**	-
Producer Company Defaults **[Sec 378ZM]**	Max ₹1L (+₹10k/day) or **6 months prison/5% turnover**	**Improper Name/AGM Failure:** **₹1L** (+₹500/day, Max ₹5L)	**Info/Custody Failure:** **₹25k** (+₹200/day, Max ₹1L)
Foreign Company Contraventions **[Sec 392]**	Co Min ₹1L / Max ₹3L (+₹50k/day)	**₹1L** (+₹500/day, Max ₹5L)	**₹25k** (+₹200/day, Max ₹2L)
Improper Use of 'Limited' **[Sec 453]**	₹500 to ₹2,000 per day	**₹1L** (+₹500/day, Max ₹5L)	-

3) Decriminalisation & Rationalisation

Fixed Penalties, Omissions, and New Guardrails (Part 3/3)

Shifted to Fixed

- **[Sec 4(5)]** False info at name reservation: ₹50,000 (was up to ₹1L).
- **[Sec 159]** Default of certain provisions: Max ₹5L.
- **[Sec 249(2)]** Improper prospectus: ₹2L (was ₹50k-₹1L).

Omitted / Decriminalised

Replaced by **Sec 425** Contempt of Tribunal powers:

- **[Sec 99]** Non-compliance of Tribunal directions (Sec 97/98).
- **[Sec 222]** Securities issue/transfer contravening NCLT orders.
- **[Sec 242(8)]** Tribunal powers offenses omitted.

New Penal Provisions

- **[Sec 40]** Stock exchange defaults: Co ₹25L / Officer ₹2L.
- **[Sec 147/148]** Audit defaults: Co ₹1L (+₹500/d, Max ₹5L) / Officer ₹25k (+₹200/d, Max ₹1L).
- **[Sec 166]** Director Duties: Listed ₹5L / Unlisted ₹2L.
- **[Sec 186/189]** Loans & Investments: Co ₹1L (+₹500/d, Max ₹5L); Failure to comply with Sec 189 rules: Fixed ₹2L.

4) Ease of Setting-up of Business Entity

Frictionless Incorporation

1. Pragmatic Declarations

[Sec 7(1)] Declarations by professionals (Advocate, CA, CS, CMA) are now only required if they are actively engaged during incorporation.

2. Expanded Registration

[Sec 366(1)] Scope explicitly widened to include 'any non-trading company' alongside co-operative societies.

3. Simplified Documentation

[Sec 374(c)] The burdensome requirement of a 'duly notarised affidavit' is permanently replaced by a simple 'declaration.'

4. New Grievance Mechanism

[Sec 396A] Aggrieved parties can now appeal Registrar decisions (under Sec 4 or 7) directly to a Joint Director authorized by the Central Government.

5) Ease of Doing Business

Operational Agility

- [Sec 12A] Prescribed companies must maintain a **website, email, and digital communication modes** (changes intimated to Registrar).
- [Sec 20(2)] **Electronic service of documents is formalized**; physical copies are **strictly optional**.
- [Sec 139(12)] Prescribed classes of companies **granted exemption** from appointing statutory auditors.

Streamlined Closure & Dormancy

- [Sec 248] **Strike-off simplified**: Grounds include no significant accounting transactions OR no financial/annual returns for **2 FYs + current FY**. Applications can be made on **independent grounds**.
- [Sec 455] **Dormancy made mandatory** ('shall' replace 'may') for non-filers **over 2 FYs**. Crucial update: Receipts/payments not relatable to business operations are no longer **classed as a 'significant accounting transaction'**.

6) Ease of Compliance

Dashboard Metrics

Timelines & Filings

- **[Sec 77(1)]** Charge registration window doubled: 60 days → **120 days**.
- **[Sec 88(2A)]** No trust notices (express/implied/constructive) on the member register.
- **[Sec 403(1)]** Flexible late fees prescribed (cap at ₹2L), removing fixed ₹100/day minimums.

Board & Shareholder Meetings

- **[Sec 96/100/101]** Hybrid/OAVM allowed for AGMs/EGMs. EGM notice for OAVM **reduced to 7 days**. Requirement: Physical AGM mandatory once every 3 years.
- **[Sec 173(5)]** OPC/Small Cos require only one board meeting per calendar year.
- **[Sec 184(1)]** Interest disclosures required only upon change, not every FY.

CSR Thresholds [Sec 135]

- Applicability Net Profit raised: ₹5Cr → **₹10Cr**.
- Committee exemption raised: ₹50L → **₹1Cr**.
- Unspent transfer time increased: 30 days → **90 days**.

7) Ease of Compliance for Producer Companies

Incorporation & Board Setup

- **[Sec 378P]** 90-day director election limit omitted; directors can now be appointed **at any general meeting**, not just AGMs.

- **[Sec 378ZA]** First AGM timeline **extended to 9 months** post-FY close (others 6 months). If met, no AGM required in the year of incorporation. Articles and directors adopted at 1st AGM.

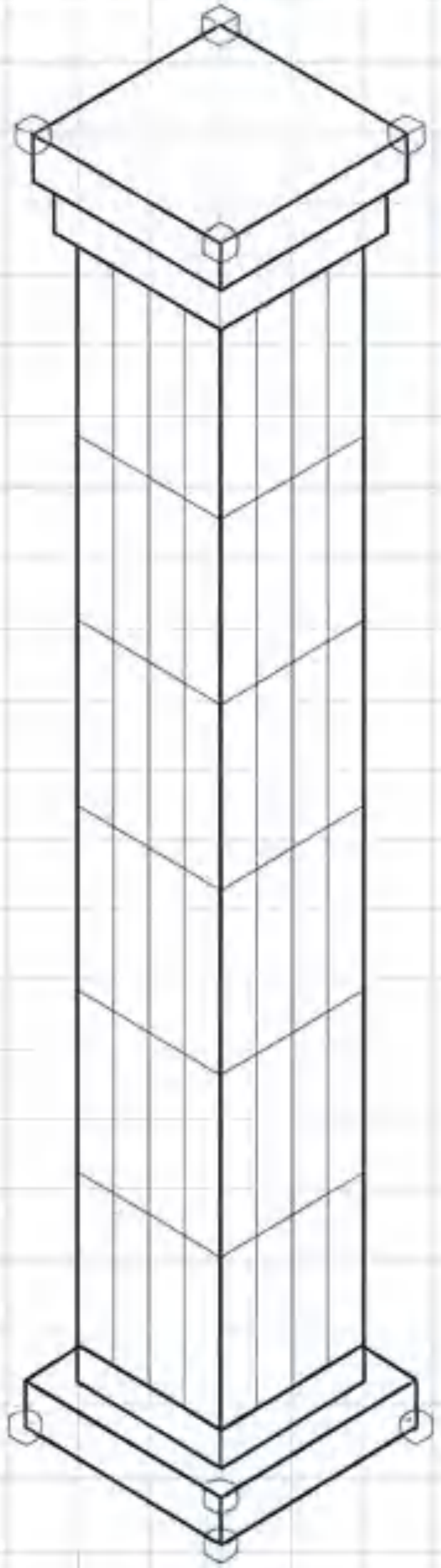
Operational Relief

- **[Sec 378Q]** **Loan default allowance** period doubled: 90 days → **180 days.**

- **[Sec 378Y & 378ZA]** Quorum **significantly lowered**: 1/4th of membership OR 100 members (whichever is less).

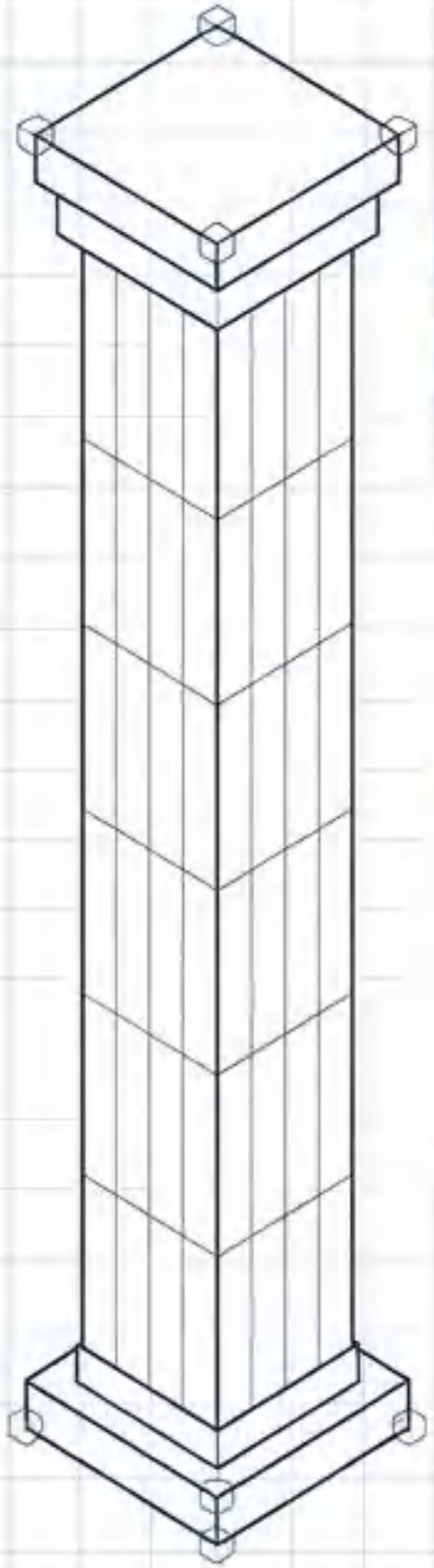
- **[Sec 378ZF]** Internal Audit **modernized**: Rules will now prescribe turnover thresholds, auditor qualifications, and reporting intervals.

8) Corporate Finance & Buy-back



Modernizing Capital [Sec 62(1)(b)]

- **Concept:** Expanding beyond traditional ESOPs.
- **Updates:** Scope explicitly widened to include modern value-linked instruments.
- **New Inclusions:** Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs) can now be issued as executive compensation with shareholder approval.



Frictionless Buy-backs [Sec 68]

- **Capacity:** Prescribed companies can buy back shares up to a newly prescribed percentage of aggregate paid-up capital and free reserves.
- **Frequency:** Up to two buy-back offers permitted within a single year (minimum 6-month gap required between closure of the first and opening of the second. second).
- **Friction Removed:** The requirement for an affidavit in the declaration of solvency is entirely eliminated. Fines converted to penalties.

9) Strengthening NFRA

Expanded Constitutional Powers & Remit (Sec 132)

Core Status

NFRA designated as a Body Corporate with perpetual succession, able to acquire property and sue/be sued.

Superintendence & Delegation

Chairperson granted general superintendence over NFRA affairs.

Executive body empowered to delegate powers to Chairperson, Members, or Committees.

NFRA

Expanded Remit & Enforcement

- **Empowered** to recommend accounting/auditing standards for non-companies.
- Govt prescribes investigation targets; NFRA regulates the manner of investigation.
- **New powers** to issue advisories, censures, warnings, and mandate professional training.
- Misconduct explicitly expanded to include Companies Act contraventions.
- **Non-compliance** with NFRA orders triggers **imprisonment**, **fines**, and extended debarment.

9) Strengthening NFRA

The Procedural Independence Framework (Sec 132A to 132K)

[132A] Auditor registration details & returns.

[132B] Constitution of the **dedicated NFRA Fund**.

[132C] Power to issue binding public interest directions.

[132D] Authority to impose **penalties** post-inquiry.

[132E] Exclusion of civil court jurisdiction and injunctions against NFRA.

[132F] Legal **immunity** (good faith protection) for Govt/NFRA members.

[132G] Central Govt power to issue binding policy directions.

[132H] Rules governing the **supersession** of NFRA.

[132-I] Authority to **autonomously** levy fees/charges.

[132J/K] Regulation-making powers & transparency mandates.

10) Strengthening Corporate Governance

Board Accountability & Independence Strictures

Board Report Mandates [Sec 134(3)]

- **Auditor Accountability:** Must explain/comment on every auditor remark regarding financial transactions, adverse effects, and account maintenance.
- **Committee Transparency:** Must detail Audit Committee composition and explicitly state reasons if any committee recommendation is rejected.

Governance Spotlight

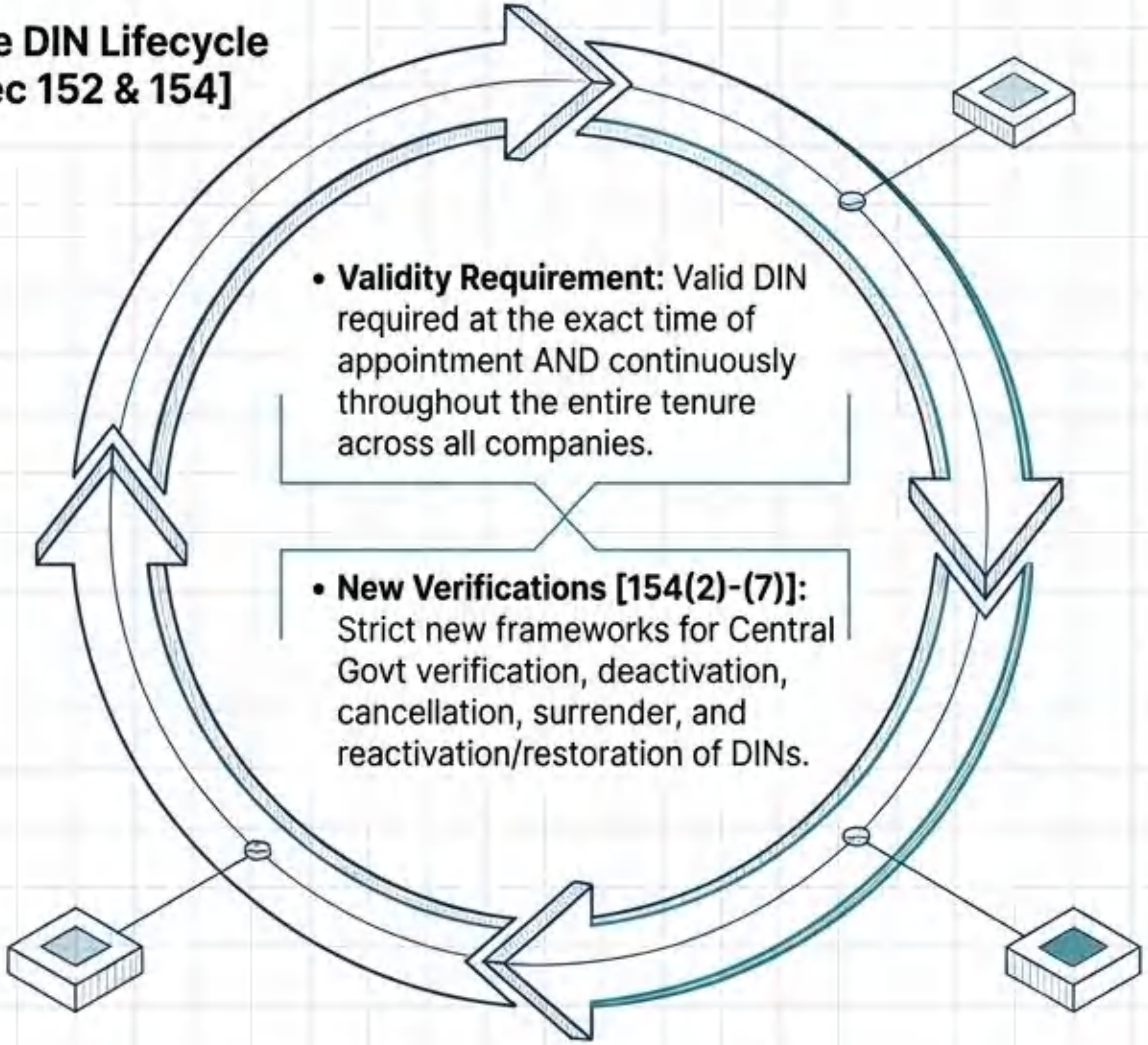
Independent Director Strictures [Sec 149]

- **Stricter Timeline:** Relatives/self cannot be KMP/employee in preceding 3 FYs or the current FY.
- **Firm Restrictions:** Transactions with legal/consulting firms where the ID is a partner/employee must be strictly <10% (or lower if prescribed) of firm's turnover.
- **Continuous Compliance:** Eligibility criteria must be actively maintained throughout the entire term. Additional director tenure now counts towards total ID tenure limit.

10) Strengthening Corporate Governance

Director Appointments & DIN Lifecycle

The DIN Lifecycle [Sec 152 & 154]



Casual & Additional Directors [Sec 161]

- **Truncated Tenure:** Hold office only up to the date of the next general meeting **OR 3 months**, whichever is earlier.
- **Shareholder Supremacy:** A person rejected for directorship at a general meeting **CANNOT** be appointed by the Board as an additional/alternate/casual director **without prior member approval**.

10) Strengthening Corporate Governance

Disqualifications, Directorship Limits & KMP Resignations

Expanded Disqualifications [Sec 164 & 167]

- **RPT Penalties:** Penalization under Sec 188 (Related Party Transactions) now triggers disqualification.
- **Cooling Off:** Acting as auditor, valuer, or insolvency professional in the preceding 3 FYs or current FY disqualifies a person from directorship.
- **Fit & Proper:** New subjective 'fit and proper' criteria assessment by the Board.
- **Non-Filing:** Default period triggering disqualification reduced from 3 FYs ➔ 2 FYs.
- **Total Vacation [167]:** Disqualification under 164(2) forces office vacation across ALL companies after 6 months.

Directorship Limits [Sec 165]

Govt empowered to specify lower directorship limits for specific classes.

Non-Director KMP Exits [Sec 203A]

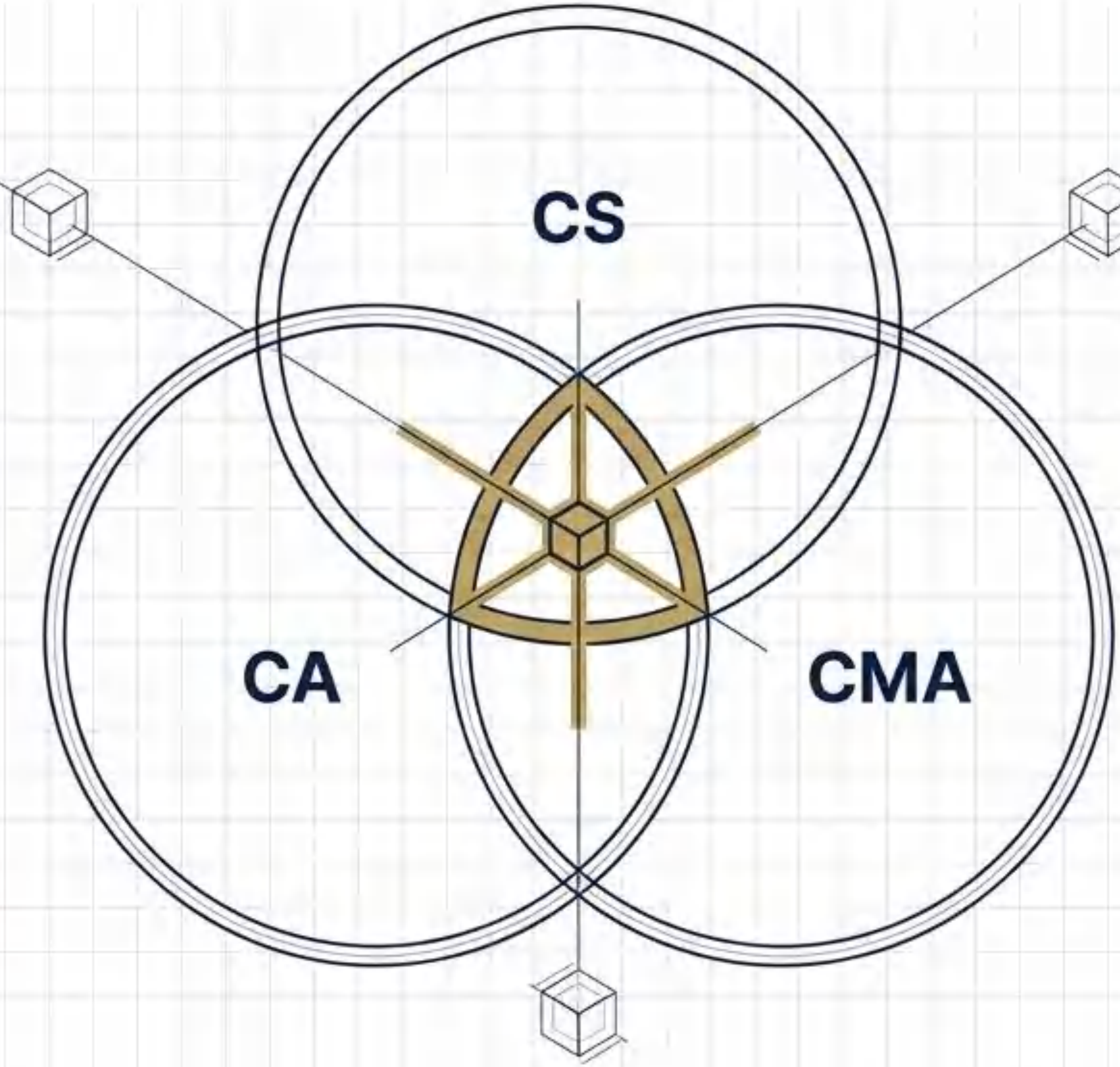
Clear resignation via written notice (effective on receipt or specified date). KMP remains liable for past defaults post-resignation.

11) Multi-disciplinary Partnership Firms for CA/ CS and CMA

STRUCTURAL

The Multi-Disciplinary Framework [Sec 141, 148, 204]

- **Firm Name Appointments**: A firm can be appointed as Cost Auditor or Secretarial Auditor in its firm name if the majority of practicing partners are qualified.
- **Registration Mandate**: EVERY partner in the firm must be registered with a statutory institute/body established under Indian law.
- **Title Updates:** 'Company secretaries in practice' substituted with 'secretarial auditors' for bigger companies [Sec 204].



RESTRICTION

Strict Conflict Guardrails [Sec 144]

- **Non-Audit Ban**: Auditors/audit firms of prescribed companies cannot provide any non-audit services to the company, holding, or subsidiary.
- **Post-Tenure Ban**: This restriction remains enforced for 3 full years after the audit term is completed.

12) Mergers & Amalgamations

Jurisdictional Clarity [Sec 230]

- **IBC Exclusion:** Compromise/mergers explicitly banned if IBC liquidation is initiated.
- **Single Window:** All NCLT applications now routed exclusively to the Tribunal holding jurisdiction over the Transferee/Resultant company. Pending applications continue under old rules.

Streamlined Approvals [Sec 233]

- **Threshold**: Scheme approved by 75% value of members/creditors present and voting (not total).
- **Demergers**: No Official Liquidator filing required for demergers.

Cross-Holding Cleanup [Sec 233A]

- Transferee companies holding shares in their own name/trust must dispose of them within 3 years.
- Failure results in mandatory cancellation/extinguishment, legally treated as a reduction of share capital.

13) Compounding of Offences & Adjudication of Penalties

Recovery & Settlements [Sec 454B-D]

- **Recovery:** Officers empowered to use local district administration assistance.
- **Settlements:** Central Govt 'Specified Authority' created to settle contraventions.
- **Pre-Deposit:** Mandatory 10% pre-deposit required before NFRA/Valuation/Adjudication appeals are entertained.

Adjudication & Jurisdiction [Sec 441, 454, 454A]

- **Compounding Limit:** Regional Director threshold raised: ₹25L → **₹1 Crore.**
- **Decentralization:** Assistant Registrars appointed as adjudicators. Joint Directors act as Appellate Authority.
- **Enforcement:** Courts can now direct penalty payments alongside fines. All penalties route to the Consolidated Fund of India.

Relief for Small Entities [Sec 446B]

Govt to prescribe lesser penalty percentages (<50%) for OPCs, Start-ups, Small, and Producer Companies.

14) Reducing the burden on NCLT/ NCLAT/ Regional Directors and Registrar

Decentralizing the Derentralizing the Tribunal [Sec 252 & 410]

- **Name Restoration**: 3-year cases shifted to Regional Director; NCLT retains 20-year cases.
- **Valuation**: NCLAT explicitly empowered to hear Valuation Authority appeals.

Administrative Expansion [Sec 396]

- Centralised offices established for e-form processing and scrutiny.
- Expansive appointment powers for Additional/Joint/Deputy Regional Directors and Registrars.

Procedural Clarifications [Sec 418A & 466A]

- **NCLAT Tie-Breaker**: Majority rules; if equally divided, Chairperson refers to external external members for majority resolution.
- **Govt Guidelines**: Central Govt empowered to issue binding directions/circulars clarifying rule intent.