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DUA ASSOCIATES

IN BRIEF

THE CORPORATE LAWS (AMENDMENT) BILL, 2026: A SNAPSHOT OF THE KEY REFORMS TO THE COMPANIES ACT, 2013

I. Introduction

On March 23, 2026, the Government of India introduced the Corporate Laws (Amendment) Bill, 2026 (Bill) in the Lok Sabha, proposing significant amendments to the Companies Act, 2013 (Act), and the Limited Liability Partnership Act, 2008, with the objective of strengthening governance standards, promoting ease of doing business, encouraging digitization, and aligning the Indian corporate laws with evolving global financial and corporate practices. This article provides an overview of the key amendments proposed to the Act under the Bill and considers their implications for doing business in India.

II. Key Amendments to the Companies Act, 2013

A. Buy-Back Flexibility and New Equity Compensation Instruments

An amendment is proposed to Section 62(1)(b) of the Act to include equity compensation schemes linked to the value of share capital beyond traditional Employee Stock Option Plans, by recognising newer forms of executive compensation instruments such as the Restricted Stock Units (RSU) and Stock Appreciation Rights (SAR). Section 42 of the Act is also proposed to be amended, considering the proposed changes to Section 62(1)(b) of the Act to recognise the new instruments, RSUs and SARs under the proposed new definition of "securities".

Section 68 of the Act is proposed to be amended to permit buy-back up to a prescribed percentage (in lieu of the existing hardwired cap) for prescribed classes of companies, and to allow up to two buy-back offers in a single financial year, subject to a six-month gap between the first and second offer.

The Bill proposes to insert a new Section 43A to provide that a company, set up and incorporated in the International Financial Services Centre (IFSC), should issue and maintain its share capital in a permitted foreign currency and keep its books, financial statements, and records in such foreign currency, with an INR presentation option if International Financial Services Centres Authority (IFSCA) permits. Pre-existing IFSC companies may convert their share capital from INR to the permitted foreign currency within the period and in the manner specified by the IFSCA regulations, in consultation with the Central Government and may not issue further share capital after the commencement of the amendments, without effecting this conversion.

B. AGMs and EGMs via Audio Visual Means

The Bill proposes to amend Section 96 of the Act, which will allow companies to hold annual general meetings and extraordinary general meetings physically or via video conferencing or other audio-visual means (VC/AV), whether wholly or partly. Each company, however, must hold at least one physical annual general meeting every three years. Likewise, it is proposed to amend Section 100 of the Act, which will allow extraordinary general meetings to be held physically or via VC/AV means. It is also proposed that if the number of members referred to in Section 100 (2) of the Act requisitions the meeting to be held in a hybrid mode, the company should hold the meeting in such mode. For extraordinary general meetings conducted wholly through VC/AV, the notice period is proposed to be reduced to at least seven days from the existing requirement of twenty-one days. The amendment is aimed at allowing larger participation of shareholders in the general meetings.

C. Directors and Key Managerial Personnel

The Bill has proposed amendments to Section 149 of the Act extending the disqualification criteria for the appointment of Independent Directors (ID) to the current financial year and prescribing a lower threshold from the present threshold of 10% or more for legal and consulting firm transactions. It is also proposed that every ID should ensure that he continues to fulfil the requirements specified under Section 149 (6) of the Act during the entire term of his appointment. It is pertinent to note that the cooling-off restrictions in relation to appointment are proposed to be extended to the holding, subsidiary or associate company.

The Bill proposes to amend Section 161(1) of the Act to provide that an Additional Director (AD) may hold office up to the date of the next general meeting or up to a period of three months from the date of his appointment, whichever is earlier. Similar provisions are proposed to be inserted for directors appointed to fill a casual vacancy. There is a proposed to introduce Section 161(5), which will provide that a person whose appointment as a director could neither be considered nor approved in a general meeting should not be appointed by the Board as an additional director, or alternate director or a director against a casual vacancy under this section, without the prior approval of its members.

The Bill proposes to expand the grounds for the disqualification of directors. There is a proposed to insert a new clause (j) to Section 164 of the Act to provide that a person should not be appointed as a director of a company if he has been an auditor or a secretarial auditor or a cost auditor or a registered valuer or an insolvency professional of the company or its holding, subsidiary or associate company discharging the functions as such under this Act or under the Insolvency and Bankruptcy Code, 2016, during the immediately preceding three financial years or during the current financial year. Additionally, it is proposed to insert clause (k) to Section 164 of the Act, which will provide that the Board will assess the person to check if he is a “fit and proper person” to act as a director as per the criteria to be prescribed under the rules. Under the proposed framework, companies will be required to assess and record that each director satisfies the prescribed fit and proper criteria on an ongoing basis. In addition, the Bill mandates that every director should maintain an active Director Identification Number (DIN) throughout the tenure of their office, rather than merely at the time of appointment. Section 167 of the Act is proposed to be amended such that where a director incurs any disqualification under sub-section (2) of Section 164 of the Act, their office will become vacant in every company where they are a director (including the company which is in default under that sub-section), after six months from the date of incurring such disqualification or upon expiry of their tenure in such company, whichever is earlier.

The Bill proposes to also amend Section 184 of the Act such that directors will not be required to disclose the interest at the first board meeting of every financial year, and directors will be obligated to disclose the interest only when there is a change in the disclosure. These amendments are intended to strengthen corporate governance standards, enhance board accountability, and ensure that individuals holding directorial positions continue to meet the requisite eligibility and integrity requirements.

D. Corporate Social Responsibility

The Bill proposes amendments to Section 135 of the Act whereby the applicability threshold for CSR provisions is proposed to be increased from the present net profit criteria of INR 5 crores to INR 10 crores, or such sum as may be prescribed, thereby narrowing the scope of companies required to comply with CSR obligations. Moreover, the time period for transferring unspent CSR amounts related to ongoing projects to the Unspent Corporate Social Responsibility Account with a scheduled bank, is proposed to be extended from 30 days to 90 days, giving companies additional time to complete the transfer. Likewise, the threshold below which companies are not required to constitute a CSR Committee is proposed to be increased from INR 50 Lakhs to INR 1 crore or such higher amount as may be prescribed. This is a welcome change for small-scale companies as they are likely not to be covered by provisions of Section 135 of the Act.

E. Strengthening NFRA and the Valuation Regulatory Architecture

It is proposed to substantially strengthen Section 132 of the Act by reconstituting the National Financial Reporting Authority (NFRA) as a body corporate, expanding its jurisdiction to include bodies corporate, broadening its sanctioning powers to include advisory, censure, and warning sanctions alongside financial penalties, expanding the definition of professional or other misconduct to include violations of the Act within the NFRA’s remit, and creating sanctions including imprisonment, fines, and debarment for non-compliance with NFRA orders. It is further proposed to insert new Sections 132A through 132K, which are aimed at establishing a comprehensive governance framework for the NFRA, covering auditor registration and returns, an NFRA Fund, directions and inquiry powers, an appellate process, a civil court bar, policy direction powers, fee levy authority, regulation-making powers, and transparency requirements for regulations, including draft publication and periodic review.

F. Mergers and Amalgamations - Procedural Reforms

The Bill proposes to amend Section 230 of the Act in such a manner that applications under Sections 230 to 233 of the Act can be made to the Tribunal having jurisdiction over the transferee or resultant company, consolidating jurisdiction at a single bench going forward, while pending matters continue under prior rules. Fast-track merger approval thresholds under Section 233 of the Act are proposed to be rationalised, with member approval to require a majority present and voting holding at least 75% of share value (instead of 90% of total shares), and creditor approval reduced from nine-tenths to at least three-fourths in value.

G. Expansion of the Small Company Regime

The Bill proposes to revise the monetary thresholds prescribed under Section 2(85) of the Act for the classification of a “small company” by increasing the maximum paid-up share capital from INR 10 crores to INR 20 crores and the maximum turnover from INR 100 crores to INR 200 crores. The proposed amendment will allow private companies to classify themselves as small companies and seek various compliance-related relaxations.

H. Continued Decriminalisation and Enforcement Reforms

The Bill continues the legislative trend of moving away from criminal sanctions for compliance-related defaults. The Bill proposes to impose a civil penalty for certain offences instead of imprisonment or a fine. These offences *inter alia* include certain non-compliances in holding board meetings and general meetings, non-maintenance of certain registers, non-compliance in relation to buy back of securities, non-compliance in relation to maintenance of books of account, failure to appoint auditor/cost auditors, etc.

Section 454 of the Act is proposed to be amended to broaden the class of adjudicating officers, allow suo motu applications by companies and officers for adjudication, enable alternative appellate authorities, direct that penalties be credited to the Consolidated Fund of India, and create a transition scheme for withdrawal and transfer of pending matters when offences shift to adjudication. Additionally, new Sections 454B, 454C, and 454D are proposed to be inserted, establishing recovery mechanisms, a settlement mechanism via a "Specified Authority" with no appeal, and a mandatory 10% pre-deposit requirement for appeals against orders. This is a welcome move which will allow the corporates to rectify their defaults, pay the penalty and become compliant under the Act.

III. Conclusion

The Bill is a substantive and wide-ranging legislative proposal with significant implications with the agenda of easing the manner of doing business in India. The final form of the Bill will depend on the Joint Parliamentary Committee's report and deliberations in the Parliament. Overall, the Bill represents a significant milestone in the ongoing modernisation of India's corporate law and regulatory framework. It recognises new concepts in light of the rapidly evolving corporate landscape and changing business practices. The Bill seeks to balance regulatory oversight with business facilitation by reducing criminal consequences for minor non-compliances, easing compliance requirements for smaller companies, strengthening the audit regulator's powers, and revisiting the CSR spending framework. By streamlining approval processes and giving companies greater operational flexibility, the Bill is expected to improve the ease of doing business in India while maintaining corporate governance standards and regulatory oversight.

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