jsa
advocates & solicitors

JSA Prism
Corporate

April 2026

Proposed amendments to the Companies Act, 2013

On March 23, 2026, the Union Finance Minister introduced the Corporate Laws (Amendment) Bill ("**Bill**"), 2026 in the Lok Sabha, which proposes various amendments ("**Proposed Amendments**") to the Companies Act, 2013 ("**CA 2013**") and the Limited Liability Partnership Act, 2008. The Bill has been referred to a Joint Parliamentary Committee for further scrutiny.

The Bill is based on the 2022 report of the Company Law Committee submitted in March 2022 and consultations with various stakeholders including recommendations of the High-Level Committee on Non-Financial Regulatory Reforms ("**NFRA**"). As noted in the Bill, the Proposed Amendments are broadly aimed at promoting greater ease of doing business and ease of living for corporates by decriminalising more provisions, providing ease of compliance for certain classes of companies, streamlining regulatory practices to improve operational efficiency, recognising new concepts in line with the evolving corporate landscape.

Key Proposed Amendments

Increase in upper limits for small companies

A 'small company' is a company whose paid-up share capital and turnover are within the prescribed upper limits contained in the CA 2013. The Bill proposes to expand the definition of 'small company' by increasing the upper limits for paid-up share capital from INR 10,00,00,000 (Indian Rupees ten crore) to INR 20,00,00,000 (Indian Rupees twenty crore), and for turnover from INR 100,00,00,000 (Indian Rupees one hundred crores) to INR 200,00,00,000 (Indian Rupees two hundred crore).

Private placement - eligible instruments

At present, the CA 2013 recognises executive compensation primarily in the form of Employee Stock Option Plans ("**ESOPs**"). The Proposed Amendment seeks to recognise as executive compensation other schemes linked to the value of the share capital of a company in addition to ESOPs, such as restricted stock units and stock appreciation rights. Such instruments require shareholder approval by special resolution Further, in addition to the current exemption for issuance of ESOPs, the Proposed Amendment also clarifies that any share issuances pursuant to the aforementioned schemes would also be exempted from the private placement limit of 50 (fifty) persons under Section 42(2) of the CA 2013.

Copyright © 2026 JSA | all rights reserved

Buy-back

Currently, under Section 68(2)(c) and (g) of the CA 2013, a company may buy back shares up to 25% of its aggregate paid-up capital and free reserves in a financial year and may undertake only 1 (one) buy-back offer in a financial year, with no subsequent offer permitted within 1 (one) year from the closure of the preceding offer. The Proposed Amendment seeks to allow certain prescribed classes of companies to buy back a higher percentage of their aggregate paid-up capital and free reserves, as may be prescribed, and to undertake up to 2 (two) buy-back offers in a financial year, subject to the condition that the second offer is not made within 6 (six) months from the closure of the preceding offer.

Further, Section 68(8) of the CA 2013 currently restricts a company that has completed a buy-back of its own shares from making a further issue of the same kind of shares within 1 (one) year from the date of such buy-back, except for issuances pursuant to ESOPs or equity schemes. The Proposed Amendments seek to extend this exception to include issuances pursuant to such other scheme linked to the value of the share capital of the company as aforementioned.

Charge registration timeline

Under Section 77(1) of the CA 2013, companies are required to register by way of an e-filing particulars of charge created on their assets within 60 (sixty) days from the date of creation of charge. In the interest of ease of compliance, the Bill has proposed increasing the said timeline to 120 (one hundred and twenty) days for prescribed classes of companies.

Independent directors

Revised grounds for disqualification

The Proposed Amendment clarifies that the disqualification under Section 149(6)(e)(i) and (ii) of the CA 2013, relating to a person's association with the company, its holding, subsidiary, associate, or their auditor, must apply not only to the "*three financial years immediately preceding the financial year,*" but also extends to any such association during the current financial year. The Proposed Amendment further revises the threshold for transactions with a legal or consulting firm whose employee, partner, or proprietor is proposed to be appointed as an independent director of the company, its holding, subsidiary, or associate. The earlier limit of "*10% or more of the gross turnover of such firm*" is proposed to be replaced with "*amounting to 10% or such lower percentage, as may be prescribed, of the gross turnover of such firm*".

Continued compliance requirements

Under the existing framework, the independence criteria under Section 149(6) of the CA 2013 are assessed at the time of appointment, with no explicit statutory requirement for an independent director to ensure continued compliance during their tenure. The Proposed Amendment clarifies that every independent director must ensure that they continue to meet the requirements specified under Sub-Section (6) of Section 149 of the CA 2013 throughout the term of their appointment.

Cooling-off period

Under Section 149(11), an independent director who has completed 2 (two) consecutive terms is required to observe a cooling-off period of 3 (three) years before being eligible for reappointment as an independent director. The Proposed Amendment clarifies that, the instant cooling-off period, applies not only to an independent director's appointment or association in the company but also to its holding, subsidiary, and associate companies. A new

Copyright © 2026 JSA | all rights reserved

Explanation is proposed to be included, also clarifies that any period during which an independent director served as an additional director of the company will be counted towards their tenure as an independent director.

Additional directors

Section 161(1) of the CA 2013 currently provides for an additional director to hold office until the date of the next Annual General Meeting ("**AGM**") or the last date on which the AGM should have been held, whichever is earlier. The Proposed Amendment revises this position by providing that an additional director must hold office until the date of the next general meeting or for a period of 3 (three) months from the date of appointment, whichever is earlier. Further, the Proposed Amendments also seeks to include a provision to the effect that a person whose appointment as a director was not considered or was not approved at a general meeting must not be appointed by the Board as an additional director, alternate director, or as a director to fill a casual vacancy under this Section, without the prior approval of the members.

Lower limit on maximum directorships

Under Section 165(1) of the CA 2013, a person may hold directorships in up to 20 (twenty) companies, subject to a maximum of 10 (ten) public companies. The Proposed Amendment empowers the Central Government to prescribe, by notification, a lower limit for any class or classes of companies or directors.

General meetings – Hybridisation of AGMs and Extraordinary General Meetings

The Proposed Amendments seeks to insert a provision permitting companies to hold AGMs and Extraordinary General Meetings (“**EGMs**”) physically, through video conferencing or audio-visual means, or in a hybrid format. Where members meeting the requisition threshold under Section 100(2) request a hybrid mode, the company will be required to comply. For EGMs conducted wholly through video conferencing or audio-visual means, the minimum notice period is proposed to be reduced from 21 (twenty-one) clear days to 7 (seven) days (or such other period as may be prescribed). Notwithstanding the availability of virtual modes, every company must hold at least 1 (one) physical AGM in every 3 (three) years.

National Financial Reporting Authority - comprehensive governance framework

Expansion of powers

The Bill has brought about various amendments to Section 132 of the CA 2013 to bring more audit & quality oversight with powers to the NFRA as well as the power, in a manner as specified by regulations, to engage experts or professional in the fields of law, business and accounting as it deems necessary for assistance to discharge its functions under the Act.

Intimation and periodic requirements prior to appointment of auditor

First, a new requirement is introduced whereby no individual auditor or audit firm can be appointed under Section 139 of the CA 2013 for specified classes of companies or bodies corporate unless they first intimate NFRA of their registration with the Institute of Chartered Accountants of India . This intimation must be made within the prescribed time, manner, and upon payment of prescribed fees. Auditors are also now subject to ongoing compliance obligations in the form of periodic filings with NFRA and the failure to submit such returns, documents, or information attracts monetary penalties starting from INR 25,000 (Indian Rupees twenty five thousand) and extending to a continuing

Copyright © 2026 JSA | all rights reserved

penalty of INR 500 (Indian Rupees five hundred) per day of default, subject to a maximum cap of INR 25,00,000 (Indian Rupees twenty five lakh).

Disciplinary powers of NFRA

While NFRA already had powers to investigate and take disciplinary action, the amendment explicitly expands the range of orders it may pass, i.e., in addition to existing powers (such as imposing penalties and debarring professionals), NFRA can now issue advisories, warnings, and censures, mandate additional professional training, and refer matters to the Central Government for further action. The Proposed Amendments have also introduced specific consequences for non-compliance with NFRA orders to be liable to punishment with imprisonment, fine and further period of debarment. Finally, the scope of 'professional or other misconduct' as under Section 132 is clarified and expanded to include any contravention of the CA 2013, its rules, or regulations, insofar as such contraventions fall within NFRA's jurisdiction, in addition to 'misconduct' as defined under the Chartered Accountants Act, 1949.

Audit and reporting

Auditor - restriction on non-audit services

Currently, under Section 144 of the CA 2013, auditors and audit firms are restricted from providing certain specified categories of non-audit services to the company, its holding or subsidiary. The Bill proposes to insert 2 (two) new provisos to Section 144 of the CA 2013, as follows:

1. auditors/audit firms appointed by prescribed classes of companies' must not provide (directly or indirectly) any type of non-audit services (not just the specified categories under the CA 2013) to the company, its holding company or subsidiary; and
2. term of this restriction is proposed to apply for a period of 3 years after the auditor or audit firm has completed his or its term under Section 139(2) of the CA 2013.

Exemption from mandatory audit

The Proposed Amendment seeks to insert a new Sub-Section (12) in Section 139, providing that certain classes of companies, as may be prescribed by rules, may be exempted from appointing statutory auditors of the CA 2013.

Board's report — additional disclosures

The Proposed Amendment seeks to include 2 (two) new disclosure requirements in the Board's report as follows:

1. a new clause (fa) will require the Board's report to include the Board's explanations or comments on every adverse observation made by the auditor under Sections 143(3)(f) and (h), in the prescribed form; and
2. a new clause (pa) will require disclosure of the composition of the audit committee and, where the Board has rejected any recommendation of the audit committee, a reasoned statement setting out the grounds for such rejection.

Corporate social responsibility

Under Section 135(1), companies having net worth of INR5,00,00,00,000 (Indian Rupees five hundred crore) or more, or turnover of INR 1000 crore (Indian Rupees one thousand crore) or more or a net profit of INR5,00,00,000 (Indian Rupees five crore) or more during the immediately preceding financial year are required to comply with all the Corporate Social Responsibility ("**CSR**") related provisions including constitution of a CSR committee. The Proposed

Copyright © 2026 JSA | all rights reserved

Amendment to Section 135(1) of the CA 2013 increases the net profit criterion from INR 5,00,00,000 (Indian Rupees five crore)to INR 10,00,00,000 (Indian Rupees ten crore), or such sum as may be prescribed. Accordingly, only companies having net worth of INR 5,00,00,00,000 (Indian Rupees five hundred crore) or more, or turnover of INR 1000 crore (Indian Rupees one thousand crore) or more, or a net profit of INR 10,00,00,000 (Indian Rupees ten crore) or such sum as may be prescribed or more, are required to comply with CSR related provisions.

Further, under the current Section 135(9), where the CSR expenditure obligation of a company does not exceed INR 50,00,000 (Indian Rupees fifty lakh), the requirement to constitute a CSR committee is dispensed with, and the functions of such committee may be discharged by the Board of Directors. The Bill, however, has increased the threshold limit for CSR exemption in Section 135(9) to INR 1,00,00,000 (Indian Rupees one crore) or such higher amount as may be prescribed.

Schemes of arrangement

Carve-out under the Insolvency and Bankruptcy Code, 2016 and single tribunal jurisdiction

Under Section 230(1) of the CA 2013, applications for compromise or arrangements could be made even where liquidation proceedings were ongoing under the ("**IBC**"). The Proposed Amendments clarify that applications for compromise or arrangements for those companies against which liquidation has commenced under IBC now cannot be preferred. Further, a proviso is proposed to be added to streamline the jurisdiction of tribunals in relation to the filings of the applications by confirming that, such applications must only be filed before such tribunals having jurisdiction over the transferee company or resultant company. A transitional provision will ensure that applications already pending before a tribunal continue before that tribunal.

Fast-track mergers - approval thresholds and procedural requirements

Presently, under Section 233 of the CA 2013, a fast-track merger scheme requires approval from members holding at least 90% of the total number of shares and creditor approval requires nine-tenths in value. The Proposed Amendments seek to reduce these thresholds by providing that member approval from members holding at least 75% of the total value of shares and creditors approval amounting to three-fourths in value. Further, under Section 233(2), the transferee company currently is required to file a copy of the fast-track merger scheme with the official liquidator regardless of the nature of the scheme, whereas the Proposed Amendments seeks to retain this procedural requirement only in the event where the scheme pertains solely to the transfer or division (demerger) of an undertaking.

Striking off and registration

Grounds for striking off - expanded

Under Section 248(1)(c) of the CA 2013, a company may be struck off the register if it has not been carrying on any business for 2 (two) preceding financial years and has not applied for dormant status. The Bill proposes to add 2 (two) new grounds under Section 248(1)(c) as follows:

1. where a company has no ‘significant accounting transaction’ in the 2 (two) preceding financial years and the current financial year while also cross-referring to the definition of 'significant accounting transaction' as currently provided under Section 455 (dormant companies) of the CA 2013 which clarifies that the term ‘significant account transaction’ excludes defined kinds of transaction such as payments of fees by a company to the Registrar, payments made to fulfil the requirements of this Act or any other law, allotment of shares to comply with the requirements of this Act, and payments for the maintenance of its office and records; and

Copyright © 2026 JSA | all rights reserved

2. where a company has failed to file its financial statements or annual returns for 2 (two) consecutive financial years immediately preceding the previous financial year.

Appeal against orders relating to name and incorporation

A new Section 396A is proposed to be inserted, providing that persons aggrieved by may appeal against Registrar decisions on name and incorporation matters to a Central Government officer not below the rank of joint director, as authorised, in the prescribed form, manner and period. This introduces a structured administrative appeal mechanism in an area that was previously subject to ad hoc challenge, providing greater certainty to companies and applicants.

Power to issue guidelines, circulars

The Bill, through the proposed insertion of Section 466a, has also enabled the Central Government to issue directions, guidelines, or circulars to clarify rules and prescribe procedural requirements, thereby reducing interpretational uncertainty. It also balances this power by mandating consultation with experts, while permitting urgent action in public interest with recorded reasons. Further, by ensuring that such instruments are supplementary to rules under Section 469 of the CA 2013 and that the rules prevail in case of any conflict, the amendment preserves legal hierarchy.

Decriminalisation of offences

The Bill seeks to decriminalise numerous violations under the CA 2013. Accordingly, offences that previously carried imprisonment and/or fines are now proposed to be treated as civil violations. Some important provisions and the corresponding changes in penalties under the Proposed Amendment are summarised below:

Section	Provision	Existing Consequence	Proposed Consequence
26	Section 26 (Matters to be stated in Prospectus) prescribes the matters to be stated in a prospectus, including disclosures on financial information, reports, declarations, and other specified contents.	The company and every person who knowingly contravened and participated in the issuance are punishable with a fine ranging from INR 50,000 to INR 3,00,000	a fixed penalty of INR 2,00,000 for the company and such persons.
128(6)	Section 128 (Non-Compliance by Managing Director, Whole Time Director, or CEO) requires proper books of account to be kept at the registered office, reflecting a true and fair view, and permits keeping them in electronic mode etc.	INR 50,000 to INR 5,00,000	INR 5,00,000 for listed companies and INR 50,000 for other companies.
147(1)	Contravention of provisions under Sections 139 to 146 which governs appointment, qualifications, duties, and reporting obligations of auditors.	INR 25,000 to INR 5,00,000 and the officer in default (**OID**) to INR 10,000 to INR 1,00,000	a company penalty of INR 1,00,000 to INR 5,00,000 and OID penalty of INR 25,000 to INR 1,00,000
166(7)	Default in complying with Section 166 (except Sub-Section 5) which provides for duties of directors, including acting in good faith, exercising due care and diligence, avoiding conflicts of interest, and not achieving undue gain etc.	INR 1,00,000 to INR 5,00,000	INR 5,00,000 for listed companies and INR 2,00,000 for other companies

Copyright © 2026 JSA | all rights reserved

167(2)	In the event a Director continues in office despite disqualification	INR 1,00,000 to INR 5,00,000	INR 5,00,000 for listed companies and INR 2,00,000 for other companies

Conclusion

The Bill marks a clear continuation of the policy shift towards balancing ease of doing business with stronger governance and accountability. While introducing simplification of procedures relating to schemes of arrangement, decriminalisation of procedural defaults, relaxation in CSR requirements, recognising new forms of instruments linked to the value of share capital of a company the Proposed Amendments seek to align the legal framework with evolving commercial realities. The strengthening of oversight mechanisms, particularly in relation to audit, reporting and the expanded role of the NFRA, signals a continued commitment to transparency, accountability and high standards of corporate governance underscore a parallel emphasis on accountability and transparency. The Proposed Amendments signal a pragmatic regulatory approach that aligns with evolving business realities. Ultimately, the effectiveness of the Bill is likely to be shaped by their careful implementation and the collective ability of stakeholders to engage constructively with a more streamlined corporate framework.

Copyright © 2026 JSA | all rights reserved

Corporate Practice

JSA's corporate practice is centered around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations and corporate restructurings. We advise clients through all stages of complex and marquee assignments including restructuring, mergers and acquisitions (including those in the public space), private equity and joint ventures. Our vast clientele includes multinational corporations and large Indian businesses in the private, public and joint sectors. We work closely with in-house counsel teams, investment banks, consulting and accounting firms, along with multilateral agencies and policy-making institutions on the development of policy and legal frameworks. We provide assistance and counsel to start-ups and venture-backed companies by drawing upon our in-depth understanding of how companies are incorporated, financed and grown. With an in-depth understanding of the industry combined with years of expertise, our attorneys provide innovative and constructive solutions to clients in complex transactional engagements. We emphasise teamwork across our wide network of offices across India. This allows us to benefit from the various specialisations available for the ultimate benefit of our clients. We also provide assistance in dealing with diverse corporate governance and compliance issues including FCPA/Anti-Bribery/Anti-Corruption matters and investigations.

This Prism has been prepared by:

Varun Sriram
Partner

Varsha Srinivasan
Partner

Sudha Putrevu
Senior Associate

Pratiksha Easwar
Associate

Copyright © 2026 JSA | all rights reserved

19 Practices and
40 Ranked Lawyers

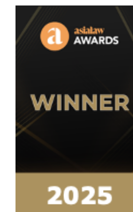
8 Ranked Practices,
22 Ranked Lawyers

15 Practices and
20 Ranked Lawyers

13 Practices and
49 Ranked Lawyers

20 Practices and
24 Ranked Lawyers

8 Practices and
10 Ranked Lawyers
Highly Recommended in 5 Cities



Regional Legal Expertise Awards (APAC) of the Year
Energy Firm Competition/
Antitrust Firm

Among Best Overall
Law Firms in India and
14 Ranked Practices
----
9 winning Deals in
IBLJ Deals of the Year
----
15 A List Lawyers in
IBLJ A-List – 2026

Recognised in World's 100 best
competition practices of 2026

Ranked Among Top 5 Law Firms in
India for ESG Practice

Asia M&A Ranking
2025 – Tier 1

For more details, please contact km@jsalaw.com

www.jsalaw.com

Copyright © 2026 JSA | all rights reserved

Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi

This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.

Copyright © 2026 JSA | all rights reserved