Page 3690 - 3702 **DOI:** *https://doi.org/10.63108/IJLMH.13121*

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 9 | Issue 5

2026

© 2026 *International Journal of Law Management & Humanities*

Follow this and additional works at: https://www.ijlmh.com/
Under the aegis of VidhiAagaz – Inking Your Brain (https://www.vidhiaagaz.com/)

This article is brought to you for free and open access by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of **any suggestions or complaints**, kindly contact **support@vidhiaagaz.com**.

To submit your Manuscript for Publication in the **International Journal of Law Management & Humanities**, kindly email your Manuscript to **submission@ijlmh.com.**

How Far Can Regulation Be Simplified? Decriminalisation, Facilitation and Accountability under the Corporate Laws (Amendment) Bill, 2026

ARGHYA DAS[*] AND DEVANSHI BAG[**]

ABSTRACT

Every reform walks a tightrope between freedom and control. The Corporate Laws (Amendment) Bill, 2026, which the Union Finance Minister, Nirmala Sitharaman, placed before the Lok Sabha on 23 March 2026, walks that tightrope at national scale. It is among the widest revisions of India's company law framework since the Companies Act, 2013 was passed. The Bill would amend that Act and the Limited Liability Partnership Act, 2008 extensively, on the recommendations of the Company Law Committee (2022) and the High-Level Committee on Non-Financial Regulatory Reforms. Its central objective is to reduce compliance burdens and ensure proportionate enforcement without compromising the safeguards on which investor confidence depends. This paper asks how far such simplification can go before accountability suffers. The paper examines the decriminalisation of minor offences and their shift to electronic adjudication. It analyses ease of doing business measures, including virtual meetings, flexible buybacks, lower fast-track merger thresholds and a single NCLT bench. It further evaluates corporate governance reforms and new frameworks for IFSCs, trust-to-LLP conversion and employee compensation. The paper argues that simplification is justified only when it reduces procedural burdens without weakening essential safeguards. Several provisions, however, fall short of this standard in their present form. The Bill aims to promote ease of doing business and improve the operational efficiency of the two Acts, but what it achieves will depend on a coherent regulatory scheme and clear statutory drafting, supported by timely subordinate legislation.

Keywords: *Corporate Laws (Amendment) Bill, 2026, Decriminalisation, Ease of doing business, Corporate accountability, International Financial Services Centres*

[*] Author is a Student at Lloyd School of Law, Greater Noida, Uttar Pradesh, India.
[**] Author is a Student at Amity Law School, Noida, Uttar Pradesh, India.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

I. INTRODUCTION

The Corporate Laws (Amendment) Bill, 2026 (Bill) was introduced in the Lok Sabha on 23 March 2026 and would make wide changes to the Companies Act, 2013 (Act) and the Limited Liability Partnership Act, 2008 (LLP Act).[1] Its proposals rest chiefly on the 2022 report of the Company Law Committee (CLC Report) and on the recommendations of the High-Level Committee on Non-Financial Regulatory Reforms (2025).[2] Its stated objective is to promote greater ease of doing business for corporates and to improve the operational efficiency of the Act and the LLP Act.[3] The CLC Report is now more than four years old, and it has been observed that governance practices and regulatory expectations have moved on in the intervening period.[4] The Bill was referred on the day of its introduction to a Joint Parliamentary Committee (JPC) of 31 members, 21 from the Lok Sabha and 10 from the Rajya Sabha.[5] The JPC presented its report on 3 August 2026 and recommended changes to several clauses discussed in this paper. As at 4 November 2026, the Bill remains pending in Parliament and has not been enacted.[6] This paper analyses the Bill as introduced, and clause references are to that text; the JPC's recommendations are noted where they bear on the analysis.

This paper asks how far corporate regulation can be simplified without compromising accountability. It proceeds on a simple criterion: a relaxation is justified where it removes a genuine procedural burden without removing the check that protects minority shareholders, creditors or the public. Each reform is assessed against that test. Part II examines the shift from criminal liability to civil penalties and what that means for deterrence. Part III considers whether the ease of doing business reforms remove real procedural barriers or whether they loosen oversight instead. Part IV analyses the Bill's governance reforms, including CSR, the NFRA, auditor independence and the regulation of inner management. Part V discusses the new

---

[1] The Corporate Laws (Amendment) Bill, 2026, Bill No. 85 of 2026 (introduced in Lok Sabha Mar. 23, 2026).

[2] COMPANY LAW COMM., Report of the Company Law Committee (Ministry of Corp. Affs., Gov't of India 2022); HIGH-LEVEL COMM. ON NON-FINANCIAL REGUL. REFORMS, Report (2025); The Corporate Laws (Amendment) Bill, 2026, Statement of Objects & Reasons ¶ 3.

[3] The Corporate Laws (Amendment) Bill, 2026, Statement of Objects & Reasons ¶ 3.

[4] CYRIL AMARCHAND MANGALDAS, *Corporate Laws (Amendment) Bill, 2026: Analysis of Key Proposals and Its Impact on Ease of Doing Business in India* (Mar. 31, 2026), https://www.cyrilshroff.com/wp-content/uploads/2026/03/Client-Alert-The-Corporate-Laws-Amendment-Bill-2026.pdf.

[5] Jatin Anand, *Corporate Laws (Amendment) Bill: What it changes, what are the objections*, THE INDIAN EXPRESS (Mar. 28, 2026), https://indianexpress.com/article/explained/corporate-laws-amendment-bill-what-it-changes-objections-10600989/; JOINT COMM. ON THE CORP. LAWS (AMENDMENT) BILL, 2026, Report, Introduction ¶ 2 (Lok Sabha Secretariat, JCL 2026 No. 1, presented Aug. 3, 2026), https://prsindia.org/files/bills_acts/bills_parliament/2026/JPC_Report_the_Corporate_Laws_%28A%29_Bill_2026.pdf [hereinafter JPC Report].

[6] Rajya Sabha, Sansad Bills Database, entry for Bill No. 85 of 2026 (status "Pending"; no date of passing, assent or Act number recorded) (last visited Nov. 4, 2026), https://sansad.in/api_rs/legislation/getBills?pageNo=1&pageSize=10&billName=corporate%20laws&locale=en; PRS LEGISLATIVE RESEARCH, The Corporate Laws (Amendment) Bill, 2026 (last visited Nov. 4, 2026), https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

statutory frameworks for IFSCs, trust-to-LLP conversion and employee compensation instruments. Part VI concludes by answering the question the title poses.

II. Decriminalisation and the Recalibration of Deterrence: From Criminal Liability to Civil Penalties

The Bill can be read as seeking to reduce litigation through three key measures, namely, decriminalisation, in-house adjudication and jurisdictional rationalisation. These measures serve the twin goals of ease of doing business and a lighter burden on courts and tribunals.[7]

The Act has 470 sections and, when a government committee reviewed it in 2018, carried 81 compoundable offences, including procedural defaults such as failure to file within the prescribed period and minor disclosure failures with no element of *mens rea*.[8] The first major step towards decriminalising company law offences in India came with the Companies (Amendment) Act, 2019, under which 16 of these offences were moved to in-house adjudication, following the recommendations of the committee headed by Injeti Srinivas.[9] The onset of the novel COVID-19 pandemic in early 2020 and the lockdown that followed then disrupted corporate operations severely, and further decriminalisation was offered as a measure of economic relief to restore the confidence of corporate players. The Companies (Amendment) Bill, 2020, enacted as the fourth amending statute since the Act came into force, decriminalised certain offences and recast some of them as civil wrongs.[10]

Continuing the Government's policy of decriminalising economic legislation, the Bill moves minor and technical offences out of the criminal courts and onto an electronic e-adjudication platform. One analysis counts 21 such offences,[11] while the Ministry of Corporate Affairs told the JPC that 19 provisions of the Companies Act are being decriminalised.[12] These offences include failure to submit information to the Registrar, specified violations relating to books of account and failure to comply with the Registrar's requisitions. For these categories of non-

---

[7] *See* The Corporate Laws (Amendment) Bill, 2026, Statement of Objects & Reasons ¶¶ 3–4.

[8] Kunal Gopal, *Decriminalising Companies Act Offences: Striking a Balance between Ease of Doing Business and Corporate Governance*, Cyril Amarchand Mangaldas Blogs (Sept. 23, 2019), https://corporate.cyrilamarchandblogs.com/2019/09/decriminalising-companies-act-offences-ease-of-doing-business-and-corporate-governance/; The Companies Act, 2013, § 470.

[9] Mitrendu Narayan Roy & Siddhartha Sankar Saha, *Decriminalisation of Corporate Offences in India Leading to Ease of Doing Business in the Backdrop of Amrit Mahotsav*, 57 Mgmt. Acct. 52 (2022), https://nirdprojms.in/index.php/maj/article/view/168369/115463; *see also* Press Release, Press Info. Bureau, Gov't of India, Company Law Committee-2019 submits its report to Finance Minister (Nov. 18, 2019), https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1591993&reg=48&lang=2.

[10] Roy & Saha, *supra* note 9.

[11] Meghna Talwar, *Reforming Corporate India: Key Insights into the 2026 Amendment Bill and Its Implications*, Mondaq (May 6, 2026), https://www.mondaq.com/india/directors-and-officers/1785196/reforming-corporate-india-key-insights-into-the-2026-amendment-bill-and-its-implications.

[12] JPC Report, *supra* note 5, ¶ 101.5.6.

compliance, criminal punishment is replaced with monetary penalties.[13] By moving routine procedural defaults from the criminal courts and Special Courts to a civil penalty regime, the Bill directly reduces the prosecutions and appeals that technical non-compliance would otherwise generate. This is in line with the Statement of Objects and Reasons, which describes the purpose as replacing criminal provisions with civil penalties for procedural defaults.[14] A company is a legal entity distinct from its members,[15] so holding a particular person criminally accountable for the company's wrongdoing is hard. Since the company is the legal wrongdoer, the individual behind it must be specifically identified and linked to the offence.[16] Criminal proceedings for such defaults can therefore be slow and may end without meaningful accountability, which strengthens the case for a civil penalty that attaches directly to the company and its officers in default.

Additionally, the Bill introduces Section 454(1A), under which a company or its officer in default may apply for adjudication of the penalty, encouraging correction of non-compliance without waiting for contested proceedings.[17] The Bill further establishes a Recovery Officer mechanism to recover unpaid penalties without the need for separate execution proceedings.[18] Section 454D provides that an appeal against an order to pay shall not be entertained by the National Company Law Appellate Tribunal (NCLAT), Regional Director or Appellate Authority unless the appellant has deposited 10% of the amount.[19] This requirement is intended to discourage unnecessary appeals and reduce litigation. Two further changes place decisions with executive officers. Section 454C creates a settlement route, under which a Specified Authority made up of Central Government officers may settle a contravention on payment of such sum as may be prescribed, with no appeal against its order.[20] The Bill also transfers routine restoration of struck-off companies under Section 252(1) from the National Company Law Tribunal (NCLT) to the Regional Director, leaving applications under Section 252(3) with the NCLT.[21]

Earlier, imprisonment was seen as the only real deterrent. Over time, however, corporate law has moved away from this idea. It now treats violations differently, according to their nature

[13] *See* Talwar, *supra* note 11; The Corporate Laws (Amendment) Bill, 2026, cls. 11, 38 & 65.
[14] The Corporate Laws (Amendment) Bill, 2026, Statement of Objects & Reasons ¶ 4(a).
[15] *Salomon v. A. Salomon & Co. Ltd.*, [1896] UKHL 1, [1897] AC 22.
[16] *See Sunil Bharti Mittal v. CBI*, (2015) 4 SCC 609; *Iridium India Telecom Ltd. v. Motorola Inc.*, (2011) 1 SCC 74.
[17] The Corporate Laws (Amendment) Bill, 2026, cl. 101.
[18] The Corporate Laws (Amendment) Bill, 2026, cl. 103 (§ 454B). The JPC has recommended omitting the power of arrest and detention in proposed § 454B(1)(d). JPC Report, *supra* note 5, ¶ 103.6.1.
[19] The Corporate Laws (Amendment) Bill, 2026, cl. 103 (§ 454D).
[20] The Corporate Laws (Amendment) Bill, 2026, cl. 103 (§ 454C).
[21] The Corporate Laws (Amendment) Bill, 2026, cl. 76; JPC Report, *supra* note 5, ¶ 76.6.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

and gravity. In many cases, a financial penalty is considered enough.[22] This approach is reflected in the United Kingdom's Companies Act 2006 and the United States' Securities Exchange Act of 1934, which provide for civil penalties while retaining criminal sanctions for certain offences.[23] Policies of this kind make doing business less complex and management less procedurally demanding, and they may also encourage foreign investment. However, the effectiveness of the Bill depends largely on the quantum of the monetary penalties. If penalties are set too low, large corporate groups can absorb them as a routine expense, and non-compliance becomes the cheaper course. A uniform penalty rate is not a clean solution either. A figure low enough to suit small and mid-sized companies would be nominal for big companies, which could then exploit it, while a figure high enough to deter them would fall disproportionately on smaller firms.

Decriminalisation can therefore produce positive results, provided penalties are calibrated to the size of the firm, whether measured by turnover or by some other yardstick. Properly scaled penalties would ensure compliance and keep regulation manageable, which is exactly what the Bill sets out to achieve. Another route to reducing litigation, jurisdictional rationalisation, is taken up in Part III in the discussion of the single NCLT bench.

III. Facilitating Business or Loosening Oversight? Procedural Easing under the Ease of Doing Business Agenda

India's regulatory regime has been described, in an assessment of its investment climate, as a complex framework.[24] The Bill responds to this by promoting ease of doing business, and ease of living, for corporates.[25] One route to that end, the move from criminal to civil liability for compliance offences, has already been discussed above.

Small companies, as defined under Section 2(85) of the Act, benefit from a simplified compliance regime. These relaxations include fewer Board meetings, exemption from preparing cash flow statements, lower penalties and registration fees, and exemption from reporting on internal financial controls.[26] The Bill proposes to double the ceilings in the definition, raising

---

[22] *See* Press Release, Press Info. Bureau, Gov't of India, *supra* note 9; OECD Anti-Corruption Network for E. Eur. & Cent. Asia, Liability of Legal Persons for Corruption in Eastern Europe and Central Asia (2015), https://doi.org/10.1787/365e6926-en.

[23] *See* Companies Act 2006, c. 46, §§ 451, 453 (UK); Securities Exchange Act of 1934 §§ 21B, 32, 15 U.S.C. §§ 78u-2, 78ff; *see generally* Brent Fisse & John Braithwaite, Corporations, Crime and Accountability (1993).

[24] *See* U.S. Dep't of State, 2025 Investment Climate Statements: India (2025), https://www.state.gov/reports/2025-investment-climate-statements/india.

[25] The Corporate Laws (Amendment) Bill, 2026, Statement of Objects & Reasons ¶ 3(i).

[26] The Companies Act, 2013, §§ 2(40), 143(3)(i), 173(5) and 446B; The Companies (Registration Offices and Fees) Rules, 2014, r. 12.

the maximum paid-up share capital from INR 10 crore to INR 20 crore and the turnover limit from INR 100 crore to INR 200 crore.[27] This would bring more companies within the scope of the simplified compliance framework and reduce their regulatory burden. However, stricter supervision is a necessary precondition. Without it, entities may misuse the provisions by understating their turnover to stay within the favourable thresholds.

The Bill also loosens the rules on capital restructuring. It permits prescribed classes of companies to make up to two buyback offers within one year, provided the second is not made earlier than six months from the closure of the preceding offer.[28] At present, no further offer may be made within one year of the closure of the preceding offer.[29] The change has been seen as meeting a real commercial need, particularly for private-equity-backed companies, for which a buyback can serve as an exit route.[30] The Bill would also allow rules to relax the 25% cap on buybacks for prescribed classes of companies.[31] These relaxations, however, raise concerns where the board is controlled by promoters. Where promoters retain their shares while other shareholders tender theirs, their proportionate voting rights may increase without any fresh investment.[32] A buyback can also lift earnings per share without any matching growth in operating profit, and it reduces the funds left for long-term investment. None of this makes buybacks undesirable in themselves. It does mean that adequate safeguards are needed so that capital restructuring serves genuine corporate purposes and does not prejudice minority shareholders.

Additionally, the Bill permits companies to hold Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) physically or through video conferencing or other audio-visual means, wholly or partly.[33] Section 96 of the Act has so far required the yearly AGM to be held at a physical venue. The Bill, however, sets a limit: every company must hold a

---

[27] The Corporate Laws (Amendment) Bill, 2026, cl. 18(v); JPC Report, *supra* note 5, ¶ 18.6.1. The limits prescribed by rules were raised from INR 4 crore and INR 40 crore to the present INR 10 crore and INR 100 crore by the Companies (Specification of Definition Details) Amendment Rules, 2025, G.S.R. 880(E) (Dec. 1, 2025).

[28] The Corporate Laws (Amendment) Bill, 2026, cl. 29(a)(ii). The JPC has recommended reckoning the year from the commencement of the first offer. JPC Report, *supra* note 5, ¶ 29.6.2.

[29] The Companies Act, 2013, § 68(2), proviso to cl. (g).

[30] Pankaj Singla, *How India's Corporate Laws (Amendment) Bill 2026 and PN3/SEBI Changes Reshape Private Equity Deals, Exits and Structuring*, GLOBAL LAW EXPERTS (May 2, 2026), https://globallawexperts.com/corporate-laws-amendment-bill-2026-private-equity-india/; *see also* Ayushi Singh, *The Corporate Laws (Amendment) Bill, 2026: A Critical Analysis of Governance, Decriminalisation, and the Recalibration of India's Corporate Regulatory Architecture*, 8(2) INDIAN J.L. & LEGAL RSCH. 4162 (2026), https://www.ijllr.com/post/the-corporate-laws-amendment-bill-2026-a-critical-analysis-of-governance-decriminalisation-and.

[31] The Corporate Laws (Amendment) Bill, 2026, cl. 29(a)(i).

[32] MAHARASHTRA SEAMLESS LTD., Corrigendum to the Public Announcement for the Attention of the Equity Shareholders/Beneficial Owners of Equity Shares of Maharashtra Seamless Limited (May 7, 2013), https://www.sebi.gov.in/sebi_data/attachdocs/1368083851574.pdf (promoters' holding to rise from 55.55% to 58.31% on full utilisation of the buyback).

[33] The Corporate Laws (Amendment) Bill, 2026, cls. 32 & 34.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

physical AGM at least once every three years.[34] That keeps some in-person contact between a company and its shareholders while leaving the other years open to digital meetings. As has been noted, a temporary dispensation from the COVID period would become permanent, and India would join the United Kingdom, Singapore and Delaware, where electronic participation in shareholder meetings is already provided for.[35]

The Bill also aims to speed up fast-track mergers by amending Section 233 of the Act. Under the proposed change, the fast-track route would require approval by a majority of members present and voting who hold at least 75% in value of the shares held by such members, instead of approval by holders of 90% of the total number of shares.[36] This would remove a problem that commentary has drawn from the *Mallcom* order, in which approving votes were 99.98% of those cast but only 82.19% of the paid-up capital, so that abstention alone can defeat the fast-track route without any shareholder opposing the scheme.[37] Moreover, the Bill requires all applications under Sections 230 to 233 to be filed only before the NCLT bench having jurisdiction over the transferee or resultant company.[38] This would end the present requirement of parallel proceedings before multiple benches for merging entities located in different states, which has been a long-standing source of delay and inconsistent orders. One law firm estimates that a single bench should cut scheme timelines by three to six months.[39] However, although the Bill provides that pending applications will continue under the existing framework, it does not define the scope of 'pending applications'. Clarification may therefore be necessary to determine which procedural stages fall within this transitional arrangement.

Thus, the Bill seeks to strike a balance between easing corporate compliance and maintaining accountability. Virtual AGMs, a single NCLT bench and higher small company thresholds can reduce procedural burdens and improve efficiency. It is essential that they do not open up opportunities for fraud.

---

[34] The Corporate Laws (Amendment) Bill, 2026, cl. 32 (§ 96(3), second proviso). The JPC has recommended that this requirement be met by a physical or hybrid meeting, with a gap of not more than two years between such meetings. JPC Report, *supra* note 5, ¶ 32.6.4.

[35] Companies Act 2006, c. 46, § 360A (UK); Del. Code Ann. tit. 8, § 211(a)(2); Companies Act 1967, § 173J (Sing.); *see also* Singh, *supra* note 30.

[36] The Corporate Laws (Amendment) Bill, 2026, cl. 69(a)(i). The JPC has recommended adding a fair-value exit or buyout option for dissenting shareholders. JPC Report, *supra* note 5, ¶ 69.6.2.

[37] *Reg'l Dir., E. Region, Ministry of Corp. Affs. v. Mallcom (India) Ltd.*, C.P. No. 172/KB/2025 (NCLT Kolkata July 2026), *discussed in* MAJMUDAR & PARTNERS, *Fast-track Mergers in India: Will the Proposed Company Law Amendments Help Speed the Process?* (Sept. 25, 2026), https://www.majmudarindia.com/fast-track-mergers-in-india/.

[38] The Corporate Laws (Amendment) Bill, 2026, cl. 67(a)(ii); *see also* Talwar, *supra* note 11.

[39] Cyril Amarchand Mangaldas, *supra* note 4.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

IV. Strengthening or softening governance? Institutional and board-level accountability

The Bill makes substantive changes to corporate governance. One of the most prominent concerns the Corporate Social Responsibility (CSR) regime. In the five financial years from 2019-20 to 2023-24, companies in India reported about INR 1.44 lakh crore of CSR expenditure.[40] The Supreme Court has linked CSR to constitutional values such as equality. In the context of disability rights, it observed that '[t]rue equality at the workplace can be achieved only with the right impetus given to disability rights as a facet of Corporate Social Responsibility'.[41] Sustainability reporting, in turn, has come to treat responsible business practices as integral to corporate strategy, which shows that the obligation is understood as more than philanthropy.[42] The Bill proposes to amend the CSR obligation governed by Section 135 of the Act by raising the net profit threshold for mandatory CSR compliance from INR 5 crore to INR 10 crore. It also lifts the CSR spend threshold that triggers constitution of a CSR Committee from INR 50 lakh to INR 1 crore, and extends the timeline for transferring unspent CSR amounts to the designated bank account from 30 to 90 days.[43] At first glance, easing the CSR obligation may appear to sit uneasily with constitutional values. However, constitutional morality does not require every company to bear the same obligations. Instead, the obligations must be fair and proportionate. Small companies and start-ups often have limited financial and administrative resources. Imposing on them the same committee, spending and disclosure requirements as on large corporations risks turning a redistributive mechanism into a disproportionate burden.[44] Thus, the Bill's calibrated relaxation is not a repudiation of the constitutional foundation of CSR but an attempt to align it with proportionality.

Moving beyond CSR, the Bill amends the regulatory oversight of financial reporting and auditing. The National Financial Reporting Authority (NFRA), established under Section 132 of the Act, has been described as institutionally constrained. The Bill would give it regulation-

[40] Press Release, Ministry of Corp. Affs., Press Info. Bureau, Gov't of India, Annual filings by companies on development CSR expenditure totals over 1,44,159 crores in last five FYs (2019-20 to 2023-24) (Feb. 10, 2026), https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226018&reg=3&lang=1.

[41] *Sujata Bora v. Coal India Ltd.*, 2026 INSC 53, ¶ 27, 2026 SCC OnLine SC 58.

[42] Inst. of Chartered Accountants of India, Sustainability Reporting Standards Bd., Background Material on Sustainability and Business Responsibility & Sustainability Reporting (BRSR) (rev. ed. 2024), https://sustainability.icai.org/wp-content/uploads/2025/06/Background-Material-on-Sustainability-Business-Responsibility-Sustainability-Reporting-BRSR-Revised-Edition-2024.pdf.

[43] The Corporate Laws (Amendment) Bill, 2026, cl. 43. The JPC has described the proposed power to exempt classes of companies from Section 135 as excessive delegation. JPC Report, *supra* note 5, ¶ 43.6.1.

[44] *See* India Const. arts. 38–39 (directing the State to secure economic justice and equality of opportunity).

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

making powers and a wider set of enforcement tools than the existing penalties and debarment.[45] One analysis sees in this an aim to turn the NFRA from something close to a government department into a regulator in its own right, comparable in broad terms to SEBI, the Insolvency and Bankruptcy Board of India (IBBI) and the Competition Commission of India (CCI).[46] For auditors, the same analysis foresees a further and more demanding layer of compliance. The Bill requires individual auditors and audit firms of the companies within the NFRA's remit to intimate their registration with the Institute of Chartered Accountants of India to the NFRA. An auditor or audit firm that fails to file the required documents or returns may face a penalty of up to INR 25 lakh, while the submission of false information may result in a penalty of up to INR 50 lakh. Civil courts are barred from entertaining suits on matters the NFRA is empowered to determine, and no injunction may be granted against its actions.[47] Besides strengthening the NFRA, the Bill bars an auditor or audit firm of such classes of companies as may be prescribed from providing, directly or indirectly, any non-audit services to the company or its holding company or subsidiary. This bar continues to apply for three years after the auditor or audit firm has completed its term.[48] This prohibition has been described as a substantial tightening of the independence framework for auditors of prescribed classes of companies.[49] At the same time, a new Section 139(12) would relieve such classes of companies as meet conditions prescribed by rules of the duty to appoint auditors under Chapter X of the Act. One analysis expects audit obligations to vary accordingly with a company's profile, chiefly for the benefit of small companies.[50]

A further dimension of governance concerns individuals within companies. The Bill proposes several changes relating to directors and Key Managerial Personnel (KMP). It introduces a fit-and-proper test, under which a person is ineligible for appointment as a director if the Board has not assessed that person to be fit and proper in accordance with such criteria as may be prescribed.[51] The JPC has recommended omitting this test, on the ground that an undefined,

[45] The Corporate Laws (Amendment) Bill, 2026, cls. 40 & 41 (§ 132J); Cyril Amarchand Mangaldas, *supra* note 4. The JPC has recommended that substantive matters, such as the manner of investigation, be governed by Central Government rules and not by NFRA regulations. JPC Report, *supra* note 5, ¶ 41.6.9.

[46] Cyril Amarchand Mangaldas, *supra* note 4.

[47] The Corporate Laws (Amendment) Bill, 2026, cl. 41 (§§ 132A, 132E); Cyril Amarchand Mangaldas, *supra* note 4. The JPC has recommended reducing these maximum penalties to INR 5 lakh and INR 10 lakh respectively. JPC Report, *supra* note 5, ¶ 41.6.3.

[48] The Corporate Laws (Amendment) Bill, 2026, cl. 46.

[49] Cyril Amarchand Mangaldas, *supra* note 4. The JPC has cautioned that a blanket prohibition may restrict legitimate services and has recommended confining it to prescribed non-audit services and specified high-risk entities. JPC Report, *supra* note 5, ¶ 46.6.1.

[50] The Corporate Laws (Amendment) Bill, 2026, cl. 44; Cyril Amarchand Mangaldas, *supra* note 4. The JPC has recommended limiting this power to private companies. JPC Report, *supra* note 5, ¶ 44.6.1.

[51] The Corporate Laws (Amendment) Bill, 2026, cl. 54(a)(iii) (§ 164(1)(k)).

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

rule-prescribed criterion risks arbitrary application and excessive delegation.[52] Additionally, a person who has been an auditor, cost auditor, secretarial auditor, registered valuer or insolvency professional of the company or its holding, subsidiary or associate company during the preceding three financial years or the current financial year would be ineligible for appointment as a director of that company.[53] The Act provides a detailed procedure for a director's resignation under Section 168 but has no corresponding mechanism for whole-time KMP who are not directors.[54] In response to this gap, the Bill establishes a notice mechanism under which, following the notice, the Board must intimate the Registrar of the resignation in such form and manner and within such time as may be prescribed.[55] These compliance requirements promote transparency and accountability at the managerial level, where lapses may otherwise go undetected.

The Bill strengthens corporate accountability through tighter NFRA oversight and stricter auditor and director requirements. At the same time, it relaxes CSR and audit obligations. Its effectiveness will depend on the rules yet to be framed. The challenge is to simplify compliance without weakening essential governance safeguards.

V. NEW STATUTORY ARCHITECTURE: INNOVATION BEYOND COMPLIANCE RELIEF

While corporate governance provisions establish the standard for ethical oversight, a modern financial ecosystem requires a statutory architecture that actively facilitates growth and operational efficiency. Among the Bill's more forward-looking choices is a dedicated set of rules for entities in International Financial Services Centres (IFSCs), principally GIFT City.

The Bill provides that a company set up and incorporated in an IFSC shall issue and maintain its share capital in a permitted foreign currency. Such a company must also maintain its books of account and financial statements in that currency, unless the International Financial Services Centres Authority (IFSCA) permits their presentation in rupees, and it may be required to use that currency for regulatory filings.[56] The significance of this is clearest in cross-border mergers and acquisitions. An IFSC company could keep its capital, its share issues and its books in dollars. It has been argued that this removes an obstacle that has led transacting parties to prefer

[52] JPC Report, *supra* note 5, ¶ 54.6.1.
[53] The Corporate Laws (Amendment) Bill, 2026, cl. 54(a)(iii) (§ 164(1)(j)). The JPC has recommended reducing this period to two years. JPC Report, *supra* note 5, ¶ 54.6.1.
[54] JPC Report, *supra* note 5, ¶ 63.6.1.
[55] The Corporate Laws (Amendment) Bill, 2026, cl. 63 (§ 203A).
[56] The Corporate Laws (Amendment) Bill, 2026, cl. 27 (§ 43A).

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

Singapore or Mauritius.[57] The framework will, however, need careful alignment with the capital account regime under the Foreign Exchange Management Act, 1999, an Act administered by the Reserve Bank of India, and with the IFSCA's own International Financial Services Centres Authority (Fund Management) Regulations, 2025, which replaced the Regulations of 2022.[58] The Bill also introduces new definitions into both the Act and the LLP Act, including IFSC, IFSCA and permitted foreign currency, together with Specified International Financial Services Centre LLP in the LLP Act. Bringing IFSC LLPs within the statute is welcome, but the concern lies in how an IFSC is defined. Instead of setting out the definition in the LLP Act itself, the Bill adopts the one found in the IFSCA Act,[59] which does little to improve the status quo. Given the risks associated with IFSC activity, the definitions, compliance requirements and operational limits applicable to these entities should be stated in the LLP Act itself.

Continuing, the Bill also proposes the conversion of a specified trust into an LLP under a new Section 57A of the LLP Act and the Fifth Schedule. The Bill defines a specified trust as "a trust established under the Indian Trusts Act, 1882 or under a Central Act or State Act, and registered by the Securities and Exchange Board of India, or by the International Financial Services Centres Authority, as the case may be, having such activities as may be prescribed."[60] The Fifth Schedule supplies the trust-specific procedural detail and operates as the working mechanism for Sections 57A and 58. It nevertheless contains two drafting gaps. First, it sets no time limit for the Registrar to decide registration applications and complete further verification, leaving applicants without a time-bound remedy for delay.[61] Second, it is ambiguous on the 75% investor-consent threshold. It does not say whether the figure is computed by number of investors, capital contributed or net asset value.[62]

Further, the Bill extends Sections 42 and 62 of the Act to any scheme linked to the value of a company's share capital. According to its Notes on Clauses, this recognises restricted stock units (RSUs) and stock appreciation rights (SARs) alongside conventional employee stock option plans (ESOPs), as executive compensation to be issued with shareholder approval.[63] It

[57] Cyril Amarchand Mangaldas, *supra* note 4.
[58] International Financial Services Centres Authority (Fund Management) Regulations, 2025; Press Release, INT'L FIN. SERVS. CTRS. AUTH., Notification of IFSCA (Fund Management) Regulations, 2025 (Feb. 19, 2025), https://ifsca.gov.in/Document/Legal/press-release-notification-of-ifsca-fund-management-regulations-202519022025091920.pdf.
[59] The Corporate Laws (Amendment) Bill, 2026, cls. 2 & 27 (§ 43A(5)). The JPC accepted this approach as securing consistency across the legislative framework. JPC Report, *supra* note 5, ¶ 2.6.1.
[60] The Corporate Laws (Amendment) Bill, 2026, cl. 12 (§ 57A, Explanation).
[61] The Corporate Laws (Amendment) Bill, 2026, cl. 17, sch. V, ¶¶ 5–6. The JPC has recommended rules to secure time-bound processing of conversion applications. JPC Report, *supra* note 5, ¶ 17(7).6.2.
[62] The Corporate Laws (Amendment) Bill, 2026, cl. 17, sch. V, ¶ 4(a)(iv). The JPC has recommended that consent be measured by value. JPC Report, *supra* note 5, ¶ 17(4).6.4.
[63] The Corporate Laws (Amendment) Bill, 2026, cls. 26 & 28; *id.*, Notes on Clauses, cls. 26 & 28.

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

brings the framework for unlisted companies closer to SEBI's regime for listed companies.[64] However, until the relevant rules are amended, the existing ESOP framework will continue to apply to these instruments.[65] Thus, the practical benefit depends on timely subordinate legislation.

Overall, these are enabling reforms intended to improve operational efficiency and facilitate business growth. However, their success depends on precise drafting and effective implementation.

VI. Conclusion

This paper began by asking how far corporate regulation can be simplified before accountability suffers. The answer that emerges from the Bill is that simplification can go a long way where the burden is purely procedural, but not where a relaxation removes the check that protects minority shareholders, creditors or the public. Judged against this standard, several of the Bill's reforms are well conceived. Technical defaults would no longer burden the criminal courts, virtual general meetings would be permitted, and group schemes would be heard by a single NCLT bench. In each case, real friction is removed and no meaningful safeguard is lost. The Bill also tightens governance in places, through a stronger statutory NFRA, a bar on non-audit services for auditors of prescribed classes of companies and, in the text as introduced, a fit-and-proper test for directors.

The Bill's biggest weakness lies in how it is drafted. The phrase "as may be prescribed" recurs throughout, which leaves substantial rule-making power with the executive. The quantum of settlement sums, the activities that qualify a trust for conversion, the criteria for fit and proper directors and the penalties for small companies are all left to rules. Such rules are laid before Parliament only after they are made, and Parliament can then only modify or annul them.[66] The expansion of administrative adjudication and recovery powers adds to the problem, since company restoration, the settlement of contraventions and penalty recovery would rest with executive officers while the NCLT retains part of the restoration jurisdiction. A reform meant to reduce litigation may therefore generate fresh writ litigation until these gaps are closed.

Simplification can be called safe only if four requirements are met. First, penalties must be proportionate to the size of the company. Second, relaxed thresholds must be backed by supervision that prevents their misuse. Third, minority shareholders must be protected in every

[64] *See* Cyril Amarchand Mangaldas, *supra* note 4; SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, regs. 1(3) and 1(4).
[65] Cyril Amarchand Mangaldas, *supra* note 4.
[66] The Companies Act, 2013, § 469(4).

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]

case where capital structure or control is affected. Fourth, the statute should be drafted with enough precision that core standards are set out in the Act and are not postponed to subordinate rules.

*****

© 2026. International Journal of Law Management & Humanities [ISSN 2581-5369]