
Corporate Laws (Amendment) Bill, 2026

Introduction

The Corporate Laws (Amendment) Bill, 2026 (hereinafter referred to as the “Bill”) was introduced in the Lok Sabha on March 23, 2026. This was following recommendations from Company Law Committee (2022) and the High-Level Committee on Non-Financial Regulatory Reforms. The Bill proposes amendments to two foundational statutes of Indian Commercial Law, that is, the Companies Act, 2013 and the Limited Liability Partnership (LLP) Act, 2008.¹

The Bill has since been referred to a Joint Parliamentary Committee (JPC) for clause-by-clause scrutiny, with stakeholder representations expected before final enactment.² Its objectives include decriminalising minor procedural lapses, improving the ease of doing business, enhancing regulatory oversight, and modernising corporate governance in line with global standards. The Bill is positioned as a continuation of India’s broader legislative reform agenda, building on the Jan Vishwas (Amendment of Provisions) Act, 2023, which had earlier decriminalised a wide range of minor commercial offences.³

Decriminalisation of Offences

One of the pivotal change introduced by the Bill is the systematic decriminalisation of minor and technical defaults under both the Companies Act, 2013 and the LLP Act, 2008. In total, the Bill decriminalises 21 offences, replacing criminal liability with defined civil monetary penalties adjudicated through an electronic e-adjudication platform.⁴

Under the Companies Act, 2013, offences proposed for decriminalisation include wilful failure to furnish information relating to the affairs of a producer company, breach of rules, failure to furnish information or documents required by the Registrar, violation of requirements concerning books

¹ *Corporate Laws (Amendment) Bill 2026* (Bill 85 of 2026).

² Hardeep Sachdeva, ‘Corporate Laws (Amendment) Bill, 2026: A Game-Changer for Business Compliance and Governance’ *The Economic Times* (6 April 2026) <https://legal.economictimes.indiatimes.com/news/law-policy/corporate-laws-amendment-bill-2026-a-game-changer-for-business-compliance-and-governance/129991813> accessed 6 April 2026.

³ PRS Legislative Research, ‘The Corporate Laws (Amendment) Bill, 2026’ (23 March 2026) <https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026> accessed 6 April 2026.

⁴ Cyril Amarchand Mangaldas, ‘Client Alert: The Corporate Laws (Amendment) Bill, 2026’ (31 March 2026) <https://www.cyrilshroff.com/wp-content/uploads/2026/03/Client-Alert-The-Corporate-Laws-Amendment-Bill-2026.pdf> accessed 6 April 2026.

of account, and failure to comply with a requisition (other than a summons) of the Registrar. Similarly, under section 38 of the LLP Act, non-compliance with a Registrar's requisition, previously treated as an offence attracting imprisonment, will now attract a civil penalty of ₹10,000.⁵

The Bill also introduces defined monetary penalties for specific violations in place of the earlier open-ended criminal liability. For instance, defaults in relation to annual general meetings under Section 99 now attract a penalty of ₹1 lakh along with ₹5,000 per day for continuing defaults.⁶ Contraventions involving books of account under Section 128 attract penalties of ₹5 lakh for listed companies and ₹50,000 for others.⁷ This approach replaces the earlier regime in which technical procedural defaults exposed directors and officers to criminal prosecution.

Corporate Governance Reforms

The Bill introduces several measures to strengthen the governance architecture of Indian companies. First, the Bill mandates that a Director Identification Number (DIN) remain active and valid throughout a director's tenure, with a deactivated DIN constituting grounds for disqualification. Directors disqualified under Section 164(2) are now required to vacate office in all companies within six months.⁸

Further, boards are now required to assess and ensure that every director meets prescribed "fit and proper" criteria. Significantly, the Bill also provides that a person who is subject to a penalty for defaults in related-party transactions under Section 188 shall lose eligibility for directorship. These measures strengthen accountability at board level by shifting focus from mere compliance to delivering tangible, outcome-based governance.⁹

⁵ *Corporate Laws (Amendment) Bill 2026*, cl 11.

⁶ Shubhi, 'Strengthening Corporate Governance and Compliance: Highlights of the Corporate Laws (Amendment) Bill, 2026' *SCC Online* (1 April 2026) <https://www.sconline.com/blog/post/2026/04/01/corporate-laws-amendment-bill-2026-introduced-in-lok-sabha/> accessed 6 April 2026.

⁷ MMJC, 'Key Highlights of the Companies (Amendment) Bill, 2026' (23 March 2026) <https://mmjc.in/key-highlights-of-the-companies-amendment-bill-2026/> accessed 6 April 2026.

⁸ 'Statutory auditor requirement relaxed for smaller companies in new Bill' *CA Alley* (25 March 2026) <https://www.caalley.com/news-updates/indian-news/statutory-auditor-requirement-relaxed-for-smaller-companies-in-new-bill> accessed 6 April 2026.

⁹ PRS Legislative Research, 'The Corporate Laws (Amendment) Bill, 2026' (23 March 2026) <https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026> accessed 6 April 2026.

With respect to auditor independence, the Bill restricts prescribed classes of auditors from providing non-audit services to the audited company, its holding company, or subsidiary for a period of three years post-audit tenure. The National Financial Reporting Authority (NFRA) is simultaneously granted expanded powers, including the authority to specify regulations on the manner of investigation and to issue advisories, censures, or warnings. NFRA may also engage domain experts to support its oversight functions, enhancing the technical rigour of its supervisory role.¹⁰

A formal resignation process for whole-time Key Managerial Personnel (KMPs) who are not directors has been introduced under the new Section 203A, establishing a transparent statutory mechanism where none previously existed.¹¹

Ease of Doing Business: Small Companies, CSR, and Employee Schemes

The Bill raises the threshold for classification as a “small company” under Section 2 (85) of the Companies Act, 2013. The upper limit for paid-up share capital is increased from ₹10 crore to ₹20 crore, and the turnover threshold is doubled from ₹100 crore to ₹200 crore.¹² This reclassification will bring a larger number of enterprises within the ambit of relaxed compliance requirements, thereby reducing the regulatory burden on smaller entities. Additionally, certain classes of small companies may be exempt from appointing statutory auditors, subject to conditions to be prescribed by rules¹³.

On Corporate Social Responsibility, the Bill proposes to increase the net profit threshold that triggers mandatory CSR contributions from ₹5 crore to ₹10 crore, thereby exempting a wider range of companies from the obligation to spend 2 per cent of their average net profits on CSR activities. The Bill further prescribes stricter timelines for the transfer of unspent CSR amounts and enhanced

¹⁰ *Corporate Laws (Amendment) Bill 2026*, cls 40-41

¹¹ Cyril Amarchand Mangaldas, ‘Client Alert: The Corporate Laws (Amendment) Bill, 2026’ (31 March 2026) <https://www.cyrilshroff.com/wp-content/uploads/2026/03/Client-Alert-The-Corporate-Laws-Amendment-Bill-2026.pdf> accessed 6 April 2026.

¹² *Corporate Laws (Amendment) Bill 2026*, cl 18.

¹³ Ministry of Corporate Affairs, ‘Year-end review 2025: Ministry of Corporate Affairs’ (Press Information Bureau, 1 January 2026) <https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=2210429> accessed 6 April 2026.

penalties for non-compliance. This reflects a dual approach of reduced scope along with stricter enforcement within that scope.¹⁴

In a significant development for employee compensation, the Bill formally recognises share-linked schemes beyond the traditional Employee Stock Option Plan (ESOP). Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs) are now expressly acknowledged under Section 62, bringing Indian corporate law in line with compensation structures common in global markets.¹⁵ The bill also proposes allowing a specific class of companies to undertake two buybacks in a financial year, subject to a minimum of six months' gap between them, providing greater financial flexibility.

Amendments to the LLP Act, 2008

The Bill introduces a dedicated framework for Limited Liability Partnerships operating within International Financial Services Centres (IFSCs), a category referred to as “Specified IFSC LLPs.” These entities are required to maintain their registered office within the IFSC jurisdiction.¹⁶ They are permitted to account for and disclose partner contributions in permitted foreign currencies, and to prepare and maintain books of account and financial statements in such currency.

A new Section 57-A is proposed to facilitate the conversion of SEBI- or IFSCA-registered specified trusts into LLPs, in addition to the existing conversion pathways for firms, private companies, and unlisted public companies. Upon registration, the erstwhile entity is deemed dissolved and removed from the records of the relevant Registrar, with all tangible and intangible property automatically transferred to the new LLP without further assurance, act, or deed. This restructuring pathway is particularly significant for investment vehicles and financial structures seeking to reorganise under a more flexible LLP framework.

The requirement for professional certification in the incorporation process has also been rationalised. The amended Section 7(1) aims to limit professional certification requirements at incorporation by mandating that declarations by Chartered Accountants, Company Secretaries, Cost Accountants, or Advocates, required only in cases where such professionals are actually

¹⁴ PRS Legislative Research, ‘The Corporate Laws (Amendment) Bill, 2026’ (23 March 2026) <https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026> accessed 6 April 2026.

¹⁵ Ministry of Corporate Affairs, *Report of the Company Law Committee* (21 March 2022).

¹⁶ *Corporate Laws (Amendment) Bill 2026*, cl 2.

engaged in the incorporation, thereby reducing mandatory formalities for straightforward incorporations.¹⁷ Additionally, LLPs regulated by SEBI or IFSCA may now file changes to partners and LLP agreements on an annual basis rather than on an event-driven basis, substantially reducing compliance frequency.

A new Section 68-B introduces a statutory appeal mechanism against decisions of the Registrar under Sections 12 and 16 of the LLP Act, strengthening procedural safeguards and access to remedies. It is a provision that had been conspicuously absent from the original legislation.¹⁸

Valuation Authority and Digital Governance

The Bill designates the Insolvency and Bankruptcy Board of India (IBBI) as the Valuation Authority under the Companies Act, 2013. IBBI will be responsible for granting certificates of registration and recognition to valuers, making recommendations to the central government on valuation standards, and ensuring compliance.¹⁹ A corresponding valuation framework under Section 247 of the Companies Act is extended to LLPs on a mutatis mutandis basis for the valuation of partner contributions, assets, net worth, and liabilities.

The Bill also reinforces a digital-first approach to corporate compliance. Prescribed classes of companies are required to serve specified documents to members exclusively through electronic mode, with such delivery deemed to constitute valid legal compliance. Members may request delivery through a specific mode, including physical copies, with companies permitted to levy a fee approved in a general meeting for such requests. This move towards mandatory electronic communication modernises shareholder engagement while reducing administrative costs.

Conclusion

The Corporate Laws (Amendment) Bill, 2026, represents significant effort to recalibrate India's corporate regulatory landscape. Decriminalising technical defaults raises thresholds for smaller entities, formalising modern compensation instruments, and introducing IFSC-specific LLP

¹⁷ *Corporate Laws (Amendment) Bill 2026*, cl 20.

¹⁸ Shubhi, 'Strengthening Corporate Governance and Compliance: Highlights of the Corporate Laws (Amendment) Bill, 2026' *SCC Online* (1 April 2026) <https://www.sconline.com/blog/post/2026/04/01/corporate-laws-amendment-bill-2026-introduced-in-lok-sabha/> accessed 6 April 2026.

¹⁹ *Corporate Laws (Amendment) Bill 2026*, cl 73.

frameworks. The Bill seeks to position India as a more competitive destination for domestic and foreign investment.²⁰

That being said, some concerns remain. The delegation of adjudicatory powers to officers under an e-adjudication platform raises questions about fairness in the procedure and the adequacy of appellate mechanisms. The expansion of NFRA's powers is a welcoming move but it will require careful implementation to avoid regulatory overreach. The success of the Bill's decriminalisation agenda will depend on the design and efficiency of the civil penalty framework that replaces criminal prosecution.

As with prior legislative reform efforts in the field of corporate law, the Bill's transformative potential is real but contingent. If implemented with consistency, transparency, and robust institutional support, it can meaningfully advance India's goal of becoming a globally competitive hub for corporate enterprise.

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²⁰ PRS Legislative Research, 'The Corporate Laws (Amendment) Bill, 2026' (23 March 2026) <https://prsindia.org/billtrack/the-corporate-laws-amendment-bill-2026> accessed 6 April 2026.