



Committee to Review the Offences Under the Companies Act

The Ministry of Corporate Affairs has constituted a 10-member committee to review the penal provisions under the Companies Act, 2013 and examine de-criminalisation of certain offences.

Recently, the government also raised the monetary threshold for filing appeals in various courts on tax disputes aimed at lowering tax litigation.

Terms of reference of the Committee

- To examine the nature of all 'acts' categorised as compoundable offences under the Companies Act, 2013 (CA-13) and recommend if any of such 'acts' may be re-categorised as 'acts' which attract civil liabilities wherein the company and its 'officers in default' are liable for penalty.

NOTE: Compoundable offences are those that are punishable with just a fine or with a fine or imprisonment or both.

- To review the provisions relating to non-compoundable offences and recommend whether any such provisions need to be re-categorised as compoundable offence.

NOTE: Non-compoundable offences are those offences which are punishable with imprisonment only, or punishable with imprisonment and also with fine under the Act.

- To examine the existing mechanism of levy of penalty under the CA-13 and suggest any improvements thereon.
- To lay down the broad contours of an in-house adjudicatory mechanism where penalty may be levied in a MCA21 system driven manner so that discretion is minimised.

NOTE: MCA21 is the portal for stakeholders to submit statutory filings under the Companies Act.

- To take necessary steps in formulation of draft changes in the law.
- Any other matter which may be relevant in this regard.

Benefits

- Simple violations will not attract disproportionate punishment.
- This would allow the trial courts to pay more attention to offences of serious nature because it will reduce the number of cases in the courts.
- It will improve the ease of doing business in India.

NOTE: The Companies Act 2013 is an Act of the Parliament of India on Indian company law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company. Company means a company incorporated under this Act or under any previous Company Law.

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