Companies (Amendment) Bill, 2019

The Lok Sabha has passed the Companies (Amendment) Bill, 2019, recently. The legislation is **aimed at tightening the Corporate Social Responsibility (CSR) compliance and reducing the load of cases before the** National Company Law Tribunal (NCLT).

Salient Features of the Bill

- The bill aims to ensure greater **accountability and a better enforcement** of the corporate governance norms.
- A key change in the Bill is related to **CSR spending,** wherein companies would have to mandatorily keep unspent money into a special account.
    - The companies will have one year to firm up the CSR proposal and another three years to spend funds. In case money remains unspent for one plus three years, the money will have to be moved to an **escrow account, could even be the Prime Minister's Relief Fund.**

Corporate Social Responsibility

- Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
- CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line- Approach), while at the same time addressing the expectations of shareholders and stakeholders.
- India has become the first country to make CSR spending mandatory through a law, i.e. through Section 135 of the Companies Act, 2013. The salient features of CSR provision are as follows:
    - Companies earning profit of over Rs 5 crore, turnover of Rs 1000 crore or networth of more than Rs 500 crore are required to shell out at least two percent of their three-year annual average net profit towards CSR activities.
    - Each such company is required to constitute a CSR committee of the Board
    - The Board of each such company is required to have the company's CSR policy formulated and monitor its implementation;
    - Companies may implement their CSR Policy through trusts or societies or Section 8 companies etc.

- The Bill seeks to **empower the Registrar of Companies** to initiate action for the removal of the name of a company from the Register of Companies if it is not carrying on any business or operation in accordance with the Company Law.
- The legislation envisages a **re-categorisation of 16 minor offences** as purely civil defaults.
- It also provides for transferring of functions with regard to dealing with applications for change of financial year to Central government and **shifting of powers** for conversion from public to private companies from NCLT to the central government.
- The bill provided more clarity with respect to certain powers of the **National Financial Reporting Authority (NFRA).**

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