



Amendments to the Companies Act

For Prelims: Companies Act, 2013, Company Law Committee

For Mains: Proposed Amendments to Companies Act

Why in News?

The Ministry of Corporate Affairs is set to introduce **amendments to the Companies Act** in the winter session of Parliament.

- The ministry has received feedback from experts and professionals on these recommendations made by the [Company Law Committee](#) that gave its [Report in April 2022](#) to the finance and corporate affairs minister.

What are the Key Proposals?

- It is expected to **raise the bar on corporate governance, especially in hiring for board positions and handling resignations** of auditors and top executives.
- The key proposals **seek to ensure that independent directors are truly independent, and companies are more open about instances of statutory auditors** making adverse remarks or qualifications on the financial statements or even quitting their audit assignment.
- It seeks to **protect the independence of the statutory auditors** by making several changes to the law, including mandatory joint audits for certain types of companies.
- The idea of the proposed changes to the Companies Act is **to strengthen the gatekeepers of good governance(Corporate governance)**—independent directors and auditors—**infuse more transparency into company affairs** and allow companies to issue fractional shares and discounted shares as part of efforts to improve [ease of doing business](#).
 - The issue of fractional shares, **a practice currently prohibited under the Companies Act**, will help retail investors access high-value shares, while discounted shares will allow a company in distress to convert debt to equity.
- Some of the past bankruptcies in the corporate sector, particularly those **involving large non-bank financial companies facing serious financial difficulties, have prompted the government to consider** some of these changes.

What is the Indian Companies Act?

- Indian Companies Act is an **Act of the Parliament which was enacted in 1956**. It enables the **companies to be formed by registration, sets out the responsibilities of companies, their executive director and secretaries**.
- **In 2013**, the Government amended the **Indian Companies Act 1956 and added a new Act called as Indian Companies Act 2013**.
 - The Companies Act, 1956 was replaced partially by the Indian Companies Act 2013.
 - It became an act and finally it came into force in September 2013.
- **In 2020**, the Parliament of India passed the [Companies \(Amendment\) Bill, 2020](#) to further

amend the Companies Act and decriminalise various compoundable offences as well as promote ease of doing business in the country.

- Reduction in penalties for certain offences as well as in timeline for rights issues, relaxation in **corporate social responsibility (CSR)** compliance requirements and creation of separate benches at the **National Company Law Appellate Tribunal (NCLAT)** are among the proposed changes too.

What are the Features of the Companies Act of 2013

- It regulates **incorporation of a company, responsibilities of a company, directors, and dissolution** of a company.
- It is divided **into 29 chapters which containing 470 sections as against 658 Sections** in the former Companies Act, 1956 and has 7 schedules.
- It provides a maximum of 200 members, earlier the private companies the maximum number of members were 50.
- A new term of 'one-person company' is included in this act.

Source: MINT

PDF Reference URL: <https://www.drishtias.com/printpdf/amendments-to-the-companies-act>

