



## 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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