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EDITORIAL ANALYSIS

Corporate Laws Amendment Bill 2026 — Easing Business While Strengthening Governance



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 Business Standard

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INTERVIEW ANGLE

"The Bill raises the CSR threshold from Rs 5 crore to Rs 10 crore. Does this weaken India's corporate social responsibility framework or is it pragmatic reform?"

Corporate Laws Amendment Bill 2026 — Easing Business While Strengthening Governance

Union Finance Minister Nirmala Sitharaman introduced the Corporate Laws (Amendment) Bill, 2026 in Lok Sabha on 18 March 2026, proposing 107 clauses of amendments to both the Companies Act, 2013 and the Limited Liability Partnership (LLP) Act, 2008. The Bill was subsequently referred to a 31-member Joint Parliamentary Committee (JPC) comprising 21 Lok Sabha and 10 Rajya Sabha MPs, with a report expected by the first week of the Monsoon Session.

Background: The Companies Act 2013 and Reform Trajectory

The Companies Act, 2013, which replaced the colonial-era Companies Act, 1956, was enacted to modernise corporate governance in India. It introduced landmark provisions including mandatory Corporate Social Responsibility (Section 135), the concept of One Person Companies, class-action suits, and the establishment of the National Company Law Tribunal (NCLT). Over the past decade, the Act has been amended multiple times — in 2015, 2017, 2019, and 2020 — primarily to decriminalise procedural defaults and ease compliance for startups and small companies. The 2026 Bill represents the most comprehensive overhaul yet, drawing on recommendations from the Company Law Committee (2022) and the High Level Committee on Non-Financial Regulatory Reforms.

India has made significant strides in improving its business environment. The country jumped from rank 142 in 2014 to rank 63 in the World Bank Doing Business Report 2020 — a rise of 79 positions in six years. With the World Bank replacing the Doing Business index with the Business Ready (B-READY) assessment, India is

scheduled to be part of the Third B-READY Report in 2026, making these legislative reforms particularly well-timed.

Key Provisions of the Bill

PROVISION	CURRENT POSITION	PROPOSED CHANGE
CSR net-profit threshold	Rs 5 crore	Raised to Rs 10 crore
Unspent CSR transfer deadline	30 days	Extended to 90 days
Fast-track merger approval (members)	90% of total shares	75% of shares held by members present and voting
Fast-track merger approval (creditors)	9/10th in value	3/4th in value
Virtual AGMs/EGMs	Not permitted under the Act	Allowed via video conferencing; one physical AGM mandatory every 3 years
EGM notice period (electronic mode)	21 days	Reduced to 7 days
Share buybacks per year	One	Two (with minimum 6-month gap)
Criminal offences reclassified	Criminal prosecution	21 offences shifted to penalty-based adjudication via e-IAM
NCLT special benches	Not provided	President can constitute special benches for Companies Act and IBC cases
NFRA status	Advisory-cum-regulatory	Body corporate with power to sue, be sued; new Sections 132A to 132K
NFRA penalty for non-compliance	Limited	Fines up to Rs 25 lakh for failure to furnish information
LLP conversions	Not available for trusts	Specified SEBI/IFSC-registered trusts can convert to LLPs
IFSC foreign currency books	Not permitted	Companies and LLPs in IFSCs can maintain books in foreign currency
Small company exemptions	Limited	Exemption from CSR provisions, auditor appointment requirements, reduced additional fees

NCLT Centralisation: Addressing the Pendency Crisis

The Bill tackles one of the most critical bottlenecks in corporate **jurisprudence** — the overburdened NCLT system. The Economic Survey 2025-26 flagged that NCLTs may take nearly 10 years to clear their existing backlog of approximately 30,600 pending matters at current disposal rates. The average time for completing a Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC), 2016 has ballooned to 688 days as of September 2025 — more than double the statutory maximum of 330 days.

The NCLT was constituted on 1 June 2016, replacing the **erstwhile** Company Law Board and the Board for Industrial and Financial Reconstruction (BIFR), based on the recommendations of the Justice V. Balakrishna Eradi Committee (2000). It currently operates through 16 benches across the country (including the Principal Bench in New Delhi), with the National Company Law Appellate Tribunal (NCLAT) functioning as the appellate body with benches in Delhi and Chennai.

The Bill introduces two structural reforms to address delays. First, it empowers the President to constitute special NCLT benches dedicated to cases under both the Companies Act and the IBC. Second, it centralises merger jurisdiction — all scheme applications under Sections 230 to 232 must now be filed before the NCLT bench having jurisdiction over the transferee or resultant company, eliminating duplicative proceedings across multiple benches. This single-bench approach is expected to reduce inter-bench inconsistencies and cut the average merger timeline significantly.

The Bill also broadens the scope of Fast-Track Mergers under Section 233, allowing holding-subsidary transactions and a wider class of small companies and startups to bypass the NCLT route entirely and seek approval from the Regional Director. The reduced approval thresholds — from 90% to 75% for members and from 9/10th to 3/4th for creditors — further lower the procedural bar.

CSR Threshold Change: Pragmatism or Dilution?

The proposal to raise the mandatory CSR threshold from Rs 5 crore net profit to Rs 10 crore is among the most debated provisions. India became the first country in the world to legally **mandate** corporate social spending when Section 135 came into force on 1 April 2014. Under the existing framework, companies with net worth of Rs 500 crore, turnover of Rs 1,000 crore, or net profit of Rs 5 crore must spend at least 2% of their average net profits on activities listed in Schedule VII (education, healthcare, environment, rural development, among others). Cumulative CSR investment by Indian companies has crossed Rs 1.53 lakh crore since inception, as recorded in the Economic Survey 2023-24.

The government argues that many startups and growing companies with net profits between Rs 5 crore and Rs 10 crore face **disproportionate** compliance burdens — forming CSR committees, engaging implementation agencies, filing annual CSR reports — relative to their actual spending obligations, which may amount to only Rs 10-20 lakh. By raising the threshold, the Bill exempts these firms from a compliance architecture designed for much larger corporations.

Critics, however, point out that this effectively removes thousands of companies from the CSR net at a time when corporate profits are at record highs. CSR spending by NSE-listed companies jumped 16% to approximately Rs 18,000 crore in FY 2023-24. The concern is that exempting mid-sized firms sends a signal

that social obligation can be traded for convenience, particularly when 98% of eligible companies were already fulfilling their CSR mandates.

The extension of the unspent CSR transfer deadline from 30 days to 90 days provides welcome breathing room for companies to plan multi-year projects, but also raises questions about whether longer timelines could encourage procrastination.

NFRA Oversight Enhancement: From Advisor to Enforcer

The Bill transforms the National Financial Reporting Authority (NFRA) from a largely advisory body into a full-fledged enforcement regulator. Established under Section 132 of the Companies Act, 2013, NFRA was created in the wake of the Satyam fraud (2009) to oversee auditing standards and hold auditors accountable. However, its powers have remained limited in practice.

The proposed Sections 132A to 132K introduce a comprehensive regulatory regime. NFRA becomes a body corporate with the power to sue and be sued. It gains authority to conduct formal inquiries, impose penalties (up to Rs 25 lakh for failure to furnish information), issue binding directions in the public interest, and debar auditors from practice. The scope of “professional misconduct” is widened to include violations under the Companies Act and related regulations, not just the Chartered Accountants Act.

Auditors will now be required to register with NFRA, file periodic returns, and comply with directions issued by the authority. A dedicated NFRA Fund is proposed to ensure financial independence from government budgetary allocations.

This strengthening is significant in the context of recent audit failures globally and the growing complexity of Indian corporate structures. It addresses the long-standing criticism that India lacks a robust, independent audit oversight mechanism comparable to the Public Company Accounting Oversight Board (PCAOB) in the United States.

Virtual AGMs and LLP Conversions: Embracing the Digital Shift

The Bill formally codifies what was practiced during the COVID-19 pandemic as a temporary measure. Amendments to Sections 96 and 100 expressly permit companies to hold AGMs and EGMs through video conferencing or other audio-visual means. The safeguard requiring at least one physical AGM every three years ensures that shareholder engagement does not become entirely remote.

The reduced EGM notice period of 7 days for fully electronic meetings facilitates faster corporate action in urgent scenarios — such as emergency fundraising, defensive restructuring, or regulatory compliance deadlines.

For the investment management industry, the Bill introduces a framework for converting specified trusts registered with SEBI or operating in International Financial Services Centres (IFSCs) into LLPs. All assets, liabilities, contracts, and proceedings transfer automatically upon conversion, which requires consent of 75% of investors. This provides Alternative Investment Fund (AIF) managers with greater governance flexibility and clearer ownership structures.

The permission for IFSC-based companies and LLPs to maintain books of accounts in foreign currencies eliminates a significant compliance friction for entities dealing primarily in international transactions.

Impact on Ease of Doing Business

The Bill advances several objectives that align with DPIIT efforts to improve the business environment. Over 39,000 compliances have been reduced and more than 3,400 legal provisions decriminalised across various laws in recent years. The 2026 Bill adds 21 more offences to the decriminalisation list.

The shift from criminal prosecution to monetary penalties through the In-House Adjudication Mechanism (IAM) — now digitised as an e-adjudication platform — eliminates the discretion of government officers, serving as an anti-corruption measure. For first-time entrepreneurs, the removal of imprisonment risk for technical filing delays is a significant psychological barrier lowered.

Small companies and startups benefit disproportionately from the proposed exemptions — reduced audit requirements, CSR exemption, and lower compliance fees. The broadened fast-track merger route means smaller firms can restructure without incurring the cost and delay of NCLT proceedings.

Concerns and Criticisms

The Opposition has raised **substantive** objections that merit scrutiny.

Excessive delegation: Congress MP Manish Tewari argued that the Bill suffers from “excessive delegation of essential legislative functions in violation of settled constitutional doctrine under Article 245 and 246.” Key policy matters — classification of companies for exemptions, compliance thresholds, penalty frameworks, and audit obligations — are left to subordinate legislation through “as may be prescribed” provisions. This enables sub-delegation of powers to authorities such as NFRA without adequate legislative guidance.

CSR dilution: Opposition members including Trinamool Congress MP Sougata Ray and DMK MP Dr T. Sumathy contended that raising the CSR threshold effectively dilutes a framework that was working well, with near-universal compliance among eligible companies.

NFRA accountability: While strengthening NFRA is welcome, granting it wide-ranging powers — including debarment of auditors — without a corresponding independent oversight mechanism raises concerns about regulatory **overreach**. The auditing profession has flagged that NFRA could become judge, jury, and executioner in audit disputes.

NCLT capacity: The Bill creates special benches but does not address the root cause of NCLT delays — nearly 24 of 30 benches operating on half-day schedules, chronic vacancies among judicial and technical members, and a shortage of active **insolvency** professionals (only 2,198 of 4,527 registered resolution professionals hold active authorisation).

UPSC Angle

The Corporate Laws (Amendment) Bill 2026 is a textbook example of the tension between **ease of doing business** and regulatory safeguards — a recurring theme in GS2 (governance, accountability) and GS3 (economic liberalisation, industrial policy). The decriminalisation agenda reflects the broader shift in Indian

regulatory philosophy from “punish and deter” to “comply or pay.” The CSR threshold debate tests the balance between voluntary corporate citizenship and mandatory social obligation. The NFRA empowerment raises questions about institutional design — how independent regulators should be structured, funded, and held accountable. The NCLT reforms connect directly to the IBC ecosystem, a frequent topic in both Prelims and Mains.

UPSC RELEVANCE

Companies Act 2013, NCLT/NCLAT structure, IBC 2016, Section 135 CSR, NFRA, Schedule VII, Fast-Track Merger (Section 233), Eradi Committee, B-READY index

MAINS GS-2:

Parliamentary scrutiny of delegated legislation; institutional design of regulatory bodies; JPC mechanism; accountability of quasi-judicial tribunals

MAINS GS-3:

Ease of doing business reforms; corporate governance framework; insolvency resolution ecosystem; startup policy; CSR as development tool

ESSAY/INTERVIEW:

Should CSR remain mandatory or should it evolve into incentive-based voluntary spending?

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CORPORATE LAWS (AMENDMENT) BILL 2026 — CORE DATA:

Introduced in Lok Sabha: 18 March 2026 by Finance Minister Nirmala Sitharaman

Total clauses: 107 (amending Companies Act, 2013 and LLP Act, 2008)

Referred to: 31-member Joint Parliamentary Committee (21 Lok Sabha + 10 Rajya Sabha MPs)

JPC report deadline: Last day of first week of Monsoon Session

Offences decriminalised: 21 offences shifted from criminal prosecution to penalty-based adjudication

Adjudication mechanism: In-House Adjudication Mechanism (IAM) via e-adjudication platform

CSR FRAMEWORK:

Section 135 of Companies Act, 2013 — mandatory CSR

India became the first country to legally mandate CSR: 1 April 2014

Current threshold: Net worth Rs 500 crore OR turnover Rs 1,000 crore OR net profit Rs 5 crore

Proposed new net-profit threshold: Rs 10 crore

Mandatory spend: 2% of average net profits of preceding three financial years

Activities governed by: Schedule VII of Companies Act, 2013

Cumulative CSR investment since 2014: Over Rs 1.53 lakh crore (Economic Survey 2023-24)

CSR spending by NSE-listed companies in FY 2023-24: Approximately Rs 18,000 crore (16% growth)

Compliance rate FY 2023-24: 98% of eligible companies fulfilled CSR obligations

Unspent CSR transfer deadline: 30 days (current) to 90 days (proposed)

NCLT/NCLAT:

NCLT constituted: 1 June 2016 under Companies Act, 2013

Replaced: Company Law Board + Board for Industrial and Financial Reconstruction (BIFR)

Based on: Justice V. Balakrishna Eradi Committee recommendations (2000)

NCLT benches: 16 across India (Principal Bench in New Delhi)

NCLAT benches: Delhi (Principal Bench) and Chennai

Pending matters before NCLT: Approximately 30,600 (Economic Survey 2025-26)

Average CIRP completion time: 688 days (September 2025) vs statutory maximum of 330 days

Cases closed in FY25: Average of 853 days — overrun of over 150%

Active Resolution Professionals: 2,198 of 4,527 registered

NFRA:

Established under: Section 132 of Companies Act, 2013

Proposed new sections: 132A to 132K

New status: Body corporate with power to sue and be sued

Maximum penalty for non-compliance: Rs 25 lakh

Created in the wake of: Satyam fraud (2009)

US equivalent: Public Company Accounting Oversight Board (PCAOB)

EASE OF DOING BUSINESS:

India rank in World Bank Doing Business 2020: 63rd (up from 142nd in 2014)

World Bank replaced Doing Business with: Business Ready (B-READY) assessment

India to be included in: Third B-READY Report (2026)

Compliances reduced across all laws: Over 39,000

Legal provisions decriminalised: Over 3,400

OTHER RELEVANT FACTS:

Fast-Track Merger (Section 233): Member approval reduced from 90% to 75%; creditor approval from 9/10th to 3/4th

Merger jurisdiction centralised: Single bench (transferee company bench) handles all scheme applications under Sections 230-232

Virtual AGMs: Permitted; one physical AGM mandatory every 3 years

EGM notice period (electronic): Reduced from 21 days to 7 days

Share buybacks: Two per financial year (previously one); minimum 6-month gap

LLP conversion: Specified SEBI/IFSC-registered trusts can convert; requires 75% investor consent

IFSC companies: Can maintain books of accounts in foreign currencies

Companies Act, 2013 replaced: Companies Act, 1956

Previous amendments to Companies Act, 2013: 2015, 2017, 2019, 2020

Insolvency and Bankruptcy Code: Enacted in 2016

Sources: [Business Standard](#) , [The Indian Express](#) , [PRS Legislative Research](#) , [PIB](#) , [TaxGuru](#)



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