

CORPORATE LAWS (AMENDMENT) BILL, 2026

CHAPTER III — AMENDMENTS TO THE COMPANIES ACT, 2013

Clauses 18 to 107 | 90 Amending Provisions

DETAILED STUDY MATERIAL WITH IMPORTANT POINTS TO REMEMBER

Introduced in Lok Sabha	23rd March, 2026 — Finance Minister Nirmala Sitharaman
Legislative Status	Referred to Joint Parliamentary Committee (JPC) — NOT YET LAW
Acts Amended	Companies Act, 2013 (Chapter III) + LLP Act, 2008 (Chapter II)
Basis	Company Law Committee Report, 2022 + Rajiv Gauba Panel Recommendations
Cabinet Approval	10th March, 2026
Budget Session	Second leg — 14th March to 2nd April, 2026
Coverage of This Volume	90 Clauses (18–107) amending Companies Act, 2013 across 8 themes

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Detailed Study Material — For Internal Reference Only

SECTION 1: OVERVIEW — EIGHT THEMES OF AMENDMENT

The Corporate Laws (Amendment) Bill, 2026 (CLAA 2026) amends the Companies Act, 2013 through 90 clauses (Clauses 18 to 107). The amendments span eight distinct themes:

Theme	Area	Core Change	Key Clauses
I	Definitions & Thresholds	Small company threshold doubled; Regional Director and Registered Valuer defined; financial year realignment	18
II	IFSC / GIFT City	New Section 43A — foreign currency share capital, books, and filings for IFSC-incorporated companies	27
III	NFRA Empowerment	NFRA upgraded to body corporate; 11 new sections (132A–132K); auditor registration; fund; directions; supersession	40, 41
IV	Valuation Authority	IBBI designated as Valuation Authority; complete registered valuer framework; criminal provisions for fraud	73
V	Decriminalisation	50+ provisions converted from criminal fine/imprisonment to civil monetary penalty across multiple sections	19,24,25,26,29,33,38,56,57,61,65,75,88–90,100,107 etc.
VI	Governance & Compliance	Virtual AGMs/EGMs; DIN lifecycle management; KMP resignation; Director disqualification; secretarial auditor	32,34,50–54,63,64
VII	Mergers & Restructuring	Single NCLT jurisdiction; fast-track approval thresholds; new Section 233A for cross-held shares; buy-back flexibility	29,67,69,70,76
VIII	Enforcement & Recovery	Recovery Officer mechanism; penalty settlement; 10% pre-deposit for appeals; suo motu adjudication; compounding threshold raised	97,101,103

SECTION 2: THEME I — DEFINITIONS & THRESHOLDS [CLAUSE 18 — SECTION 2]

Clause 18 amends Section 2 of the Companies Act, 2013 — the definition section. Five important changes are made.

2.1 Small Company — Definition [Section 2(85)]

Sub-clauses (i) and (ii) of Section 2(85) are amended to double the thresholds:

Criterion	Earlier Threshold	New Threshold (CLAA 2026)
Paid-up Share Capital	Not exceeding Rs. 2 crore	Not exceeding Rs. 20 crore
Turnover	Not exceeding Rs. 100 crore	Not exceeding Rs. 200 crore

Why does 'small company' status matter?

- Reduced penalties under Section 446B — only 50% (or lower as prescribed) of normal penalty
- Reduced audit rotation requirements
- Simplified Annual Return (Form MGT-7A)
- One Board meeting per calendar year suffices (Section 173)
- Benefit of fast-track merger (Section 233) for small company mergers
- Reduced CSR compliance burden at lower profitability

★ KEY POINTS — Small Company Definition

- More companies now qualify as 'small company' — expanded protection under S.446B reduced penalty.
- Both criteria must be satisfied independently — paid-up capital AND turnover must be within limits.
- OPC (One Person Company) is always a small company irrespective of capital/turnover.
- The threshold can be further amended — Central Government retains rule-making power.
- Holding companies and subsidiaries are excluded from being classified as small companies.

2.2 Regional Director — New Definition [Section 2(73A)]

A new clause (73A) inserts the definition of 'Regional Director' as a person appointed by the Central Government under Section 396 for purposes of the Act. The definition explicitly includes Additional Regional Director, Joint Regional Director, and Deputy Regional Director.

★ KEY POINTS — Regional Director Definition

- Codifies the role in the definition section — avoids ambiguity in provisions that refer to 'Regional Director'.
- Inclusive definition: Additional/Joint/Deputy RDs are covered — their orders carry same statutory weight.

- S.396 is simultaneously amended (Clause 91) to enable CG to appoint RDs and delegate powers.
- Regional Director is the appellate authority for S.454 adjudication orders — this definition is foundational.

2.3 Registered Valuer — New Definition [Section 2(74A)]

A new clause (74A) defines 'Registered Valuer' as a person who holds a certificate of registration granted under Section 247. This is the first time this term is given a statutory definition in the Companies Act.

★ KEY POINTS — Registered Valuer Definition

- Section 247 is simultaneously overhauled (Clause 73) — IBBI made the Valuation Authority.
- All valuations under Companies Act now require a 'Registered Valuer' — informal valuations no longer valid.
- This definition works in tandem with LLP Act Section 33A (new) which applies S.247 to LLP valuations.
- CAs who are IBBI-registered valuers are 'Registered Valuers' under this definition.

2.4 Financial Year Realignment [Section 2(41) — New Proviso]

A new fourth proviso is inserted in Section 2(41) enabling the Central Government to allow a company or body corporate to realign its financial year to the period ending 31st March of the following year, either on application or on commercial considerations.

Applicant Category	Basis for Realignment
Company/body corporate referred to in first proviso (i.e., those with foreign holding)	On application in prescribed form and manner
Any other company or body corporate	On commercial considerations, as CG may allow

★ KEY POINTS — Financial Year Realignment

- Helps foreign-owned companies align their Indian subsidiary's financial year with parent company's year.
- Currently, India mandates April–March FY for companies; this provision creates an exception pathway.
- Application in prescribed form required — not automatic. CG approval is discretionary.
- Particularly relevant for MNCs and cross-border investment structures.

SECTION 3: THEME II — IFSC / GIFT CITY COMPANIES [CLAUSE 27 — NEW SECTION 43A]

Clause 27 inserts an entirely new Section 43A in the Companies Act, 2013. This section creates a special regulatory framework for companies set up and incorporated in the International Financial Services Centre (IFSC), currently located at GIFT City, Gandhinagar, Gujarat.

3.1 Four Sub-sections of Section 43A

Sub-section (1) — Share Capital in Foreign Currency

Every company set up and incorporated in the IFSC SHALL issue and maintain its share capital in a permitted foreign currency.

Situation	Rule
New IFSC company (after CLAA 2026)	Issue share capital only in permitted foreign currency from day one.
Existing IFSC company (pre-CLAA 2026)	MAY CONVERT existing INR share capital to permitted foreign currency within IFSCA-specified period and manner (First Proviso).
Existing IFSC company — post-commencement	SHALL NOT issue any new share capital WITHOUT FIRST converting existing share capital to foreign currency (Second Proviso). Conversion is a prerequisite to fresh issue.

Sub-section (2) — Books in Foreign Currency

An IFSC company maintaining share capital in permitted foreign currency SHALL prepare and maintain:

- Books of account
- Other relevant books and papers
- Financial statements
- All other records

— all in the PERMITTED FOREIGN CURRENCY.

Exception

IFSCA may permit such company to present books of account and financial statements in Indian Rupee, if IFSCA grants such permission.

Sub-section (3) — Foreign Currency for Filings

Central Government may, in prescribed manner, require an IFSC company to use permitted foreign currency for the purpose of filing, submitting or delivering any documents under Section 398 (documents required to be filed with Registrar).

Sub-section (4) — Government Dues Always in INR

Every IFSC company SHALL pay fees, fines and penalties under the Companies Act and the rules made thereunder in INDIAN RUPEES ONLY. This is a non-negotiable carve-out.

Sub-section (5) — Definitions

Term	Meaning (as borrowed from IFSCA Act, 2019)
International Financial Services Centre	Same meaning as S.3(1)(g) of IFSCA Act, 2019 — currently GIFT City, Gandhinagar
International Financial Services Centres Authority	Same meaning as S.3(1)(b) of IFSCA Act, 2019 — the unified regulator for IFSC
Permitted Foreign Currency	Currency specified by IFSCA in consultation with Central Government — typically USD, EUR, GBP, JPY

3.2 Impact on Existing IFSC Companies

Action Required	Timeline	Consequence of Non-action
Convert existing INR share capital to permitted foreign currency	Within IFSCA-specified period	Cannot accept fresh share capital
Shift books of account to foreign currency	On commencement of CLAA 2026	Non-compliance penalty
Update filings format with Registrar	As CG prescribes	Non-compliance penalty

★ KEY POINTS — IFSC Companies (S.43A)

- Share capital in foreign currency is more fundamental than LLP Act parallel — it covers the capital structure itself.
- Books must also be in foreign currency — this requires a complete accounting system overhaul for existing IFSC companies.
- The conversion prerequisite (second proviso to S.43A(1)) is a trap: missing the IFSCA-notified conversion window means the company is frozen from issuing new capital.
- Government dues (fees/fines/penalties) ALWAYS in INR — IFSC companies cannot pay MCA fees in USD.
- Companion amendment: LLP Act Clauses 8 and 10 create identical obligations for IFSC LLPs — consistent cross-form policy.
- 'Permitted foreign currency' is IFSCA-specified and can change — monitor IFSCA circulars/regulations.

SECTION 4: THEME III — NFRA EMPOWERMENT [CLAUSES 40–41]

Clauses 40 and 41 together represent the most extensive overhaul of the National Financial Reporting Authority (NFRA) since its constitution in 2018. Clause 40 amends Section 132 extensively. Clause 41 inserts 11 entirely new sections: 132A through 132K.

4.1 Amendments to Section 132 [Clause 40]

(a) Body Corporate Status — Section 132(1A)

Section 132(1A) is substituted to declare that NFRA shall be a BODY CORPORATE by the name 'National Financial Reporting Authority', having:

- Perpetual succession
- A common seal
- Power to acquire, hold and dispose of property (movable and immovable)
- Power to contract
- Power to sue or be sued in its own name

Significance

Upgrading NFRA to a body corporate gives it full legal personality — it can independently enter contracts, own property and litigate. Earlier it was a quasi-judicial body without full corporate status.

(b) Sub-section 3A Omitted

Existing sub-section 3A is deleted. Section 425 contempt provisions will apply where necessary.

(c) New Sub-sections 3C and 3D — Internal Governance

Sub-section	Content
3C	Chairperson shall have powers of GENERAL SUPERINTENDENCE AND DIRECTION of NFRA's affairs. May exercise all powers delegated by the executive body.
3D	Executive body may, by general or special written order, DELEGATE to: (a) Chairperson; (b) any full-time Member or officer; (c) a Committee comprising one or more of the above — subject to specified conditions. Power to delegate makes NFRA operationally flexible.

(d) Expanded Enforcement Powers — Section 132(4)(c)

Earlier, NFRA's orders under S.132(4)(c) were limited to debarment and monetary penalties. Three new sub-clauses are added:

Sub-clause	New Power
(C)	Issue an ADVISORY, CENSURE, or WARNING to the member or the firm. This is a graduated enforcement tool below debarment.

(D)	Require ADDITIONAL PROFESSIONAL TRAINING of the member or individual partners or employees of the firm.
(E)	REFER the matter to the Central Government for taking action under the provisions of the Companies Act or rules made thereunder.

(e) Expanded 'Professional Misconduct' — Explanation to Section 132(4)

The Explanation is substituted to provide that 'professional or other misconduct' shall include:

- The meaning assigned to it under Section 22 of the Chartered Accountants Act, 1949 (as before); AND
- NEW: Any acts or omissions which constitute a contravention of the Companies Act or rules or regulations made thereunder, insofar as they relate to matters within NFRA's jurisdiction, functions, or regulatory remit.

Practical Impact

An auditor who violates any provision of the Companies Act within NFRA's regulatory remit — even if not 'unprofessional' under the CA Act — can now be proceeded against by NFRA for professional misconduct.

(f) New Section 132(4A) — Criminal Consequences for Non-compliance

A new sub-section (4A) is inserted. Any person who fails to comply with any order of NFRA under sub-section (4) or fails to pay the penalty within 90 days (or period stated in order) shall be liable to:

Person	Criminal Consequence
Individual (auditor/member)	Imprisonment which may extend to SIX MONTHS, OR fine of Rs.1,00,000 to Rs.5,00,000 — or both. PLUS further debarment under sub-clause (B) of clause (c).
Firm	Fine of Rs.5,00,000 to Rs.25,00,000. PLUS further debarment.

Critical Note

This is NOT decriminalised — non-compliance with NFRA orders retains criminal prosecution. This is a deliberate deterrence. Auditors ignoring NFRA orders risk imprisonment.

(g) Further Amendments to Section 132

Provision	Change
Sub-section (11)	NFRA (not CG) shall appoint secretary and employees. Salary/allowances/terms to be specified by NFRA regulations — not Central Government rules.
Sub-section (16) — New	No act or proceeding of NFRA shall be INVALID merely due to: (a) vacancy or defect in constitution; (b) defect in appointment of a member; (c) irregularity in procedure not affecting merits. Saves bona fide proceedings.
Sub-section (17) — New	NFRA may ENGAGE EXPERTS AND PROFESSIONALS with special knowledge of accounting standards, auditing standards, economics, law,

business, or related disciplines to assist NFRA — in manner specified by NFRA regulations.

4.2 New Sections 132A to 132K [Clause 41]

Section 132A — Auditor Registration with NFRA

This is perhaps the most impactful new provision for practising CAs. On and from such date as CG notifies:

- NO individual or firm shall be appointed as statutory auditor under Section 139 for NFRA-jurisdiction companies (listed companies, large public companies, etc.) UNLESS they have intimated their ICAI registration details to NFRA within prescribed time, in prescribed manner, and with prescribed fees.
- Such auditors must file documents, returns or information with NFRA periodically in prescribed form and manner.

Penalties under Section 132A:

Default	Penalty
Failure to file documents/returns/information with NFRA [S.132A(3)]	Minimum Rs.25,000 + Rs.500 per day of continuing default subject to MAXIMUM of Rs.25,00,000
False statement / false document / suppression / wilful alteration [S.132A(4)]	Minimum Rs.50,000 + Rs.1,000 per day subject to MAXIMUM of Rs.50,00,000

Section 132B — NFRA Fund

A dedicated NFRA Fund is constituted. The following shall be credited to it:

- Grants made by Central Government
- All fees received by NFRA under the Act
- All sums received from other sources decided by CG
- Interest or other income from investments made from the Fund

The Fund shall be applied for NFRA's expenses, discharge of its functions, and purposes of the Act as prescribed.

Section 132C — NFRA Directions to Auditors

Where NFRA is satisfied that it is necessary in PUBLIC INTEREST or the INTEREST OF INVESTORS OR CREDITORS or other concerned persons, it may give such directions to auditors of NFRA-jurisdiction companies as it considers appropriate.

Penalty for non-compliance with NFRA directions:

Person	Penalty
Auditor (individual)	Minimum Rs.50,000 + Rs.1,000 per day (maximum Rs.50,00,000)
Audit firm	Minimum Rs.50,000 + Rs.1,000 per day (maximum Rs.1,00,00,000 — Rs.1 crore)

Section 132D — Inquiry and Penalty by NFRA

- NFRA may impose penalty under S.132A(4) or S.132C(2) after holding inquiry in prescribed manner with opportunity of being heard
- NFRA has power to SUMMON AND ENFORCE attendance of any person — compulsory process
- Penalty recovery: as arrears of land revenue if not paid voluntarily
- All penalties credited to Consolidated Fund of India
- Appeal against NFRA order under this section: to NCLAT within FORTY-FIVE DAYS from date of order

Section 132E — Bar on Civil Court Jurisdiction

No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which NFRA is empowered to determine. No injunction shall be granted by any court or authority against NFRA's actions.

Implication

Auditors or audit firms who disagree with NFRA orders cannot file civil suits — only statutory appeal before NCLAT is available. High Court writ petitions may still be available on constitutional grounds.

Sections 132F to 132K — Summary

Section	Content
132F	IMMUNITY: No suit/prosecution against Central Government, NFRA, its Chairperson, any member, officer or employee for anything done IN GOOD FAITH under the Act or rules/regulations.
132G	POLICY DIRECTIONS: CG may give written directions to NFRA on questions of policy. NFRA must be given opportunity to express views (except in writing). CG's determination of what is a 'policy question' is FINAL.
132H	SUPERSESION: CG may supersede NFRA for up to SIX MONTHS on grounds of: (a) grave emergency; (b) persistent non-compliance with CG directions; (c) public interest. All Chairperson and members vacate. CG assumes all functions. Parliament to be informed.
132-I	FEES: NFRA may levy fees/charges on auditors of NFRA-jurisdiction companies as specified by NFRA regulations.
132J	REGULATIONS: NFRA may make regulations for carrying out its functions. Covers: investigation manner; meeting procedure; staff service conditions; expert engagement; S.132A filings; penalty recovery; fee levy. All regulations to be laid before Parliament.
132K	TRANSPARENCY: Before issuing regulations, NFRA shall: (a) publish draft regulations on website for public comments; (b) review regulations at least once every THREE YEARS. Exception: urgent public interest regulations may be made without consultation (with written reasons).

★ KEY POINTS TO REMEMBER — NFRA (Clauses 40 & 41)

- NFRA is now a full BODY CORPORATE — legal personality, common seal, power to sue and be sued.
- Section 132A: Auditors of listed/large companies MUST register with NFRA — this is a new compliance obligation for CAs/CA firms.

- NFRA's enforcement ladder: Advisory → Censure → Warning → Training Direction → Penalty → Debarment → Referral to CG → Criminal (for order non-compliance).
- Non-compliance with NFRA orders: imprisonment up to 6 months for individuals — NOT decriminalised.
- NFRA Fund: makes NFRA financially self-sufficient — annual fee levy possible on auditors under S.132-I.
- NCLAT is the ONLY appellate forum — 45 days from order. No civil court jurisdiction.
- 3-year regulation review cycle under S.132K: NFRA cannot let regulations become stale.
- Supersession: CG can take over NFRA for up to 6 months — nuclear option with Parliament oversight.
- Expanded 'professional misconduct' to include Companies Act contraventions — widened regulatory remit.
- All NFRA penalties credited to Consolidated Fund of India — no retention by NFRA.

SECTION 5: THEME IV — VALUATION AUTHORITY [CLAUSE 73 — SECTION 247]

Clause 73 comprehensively amends Section 247, which governs valuations under the Companies Act. The INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI) is formally designated as the Valuation Authority. Eleven new sub-sections are inserted.

5.1 Who is the Valuation Authority? — Section 247(1A)

'The Insolvency and Bankruptcy Board of India established under section 188 of the Insolvency and Bankruptcy Code, 2016 shall be the Valuation Authority for the purposes of this section.'

Background

IBBI was already regulating Registered Valuers through the Insolvency and Bankruptcy Board of India (Registered Valuers and Valuation) Regulations, 2017. The CLAA 2026 formally embeds IBBI's role in the Companies Act itself — giving it statutory backing at the highest level.

5.2 Powers of Valuation Authority — Section 247(1B)

Function	Content
(a)	Grant or renew CERTIFICATE OF RECOGNITION to valuers' organisations — subject to terms/conditions in IBBI regulations.
(b)	Grant or renew CERTIFICATE OF REGISTRATION to valuers — subject to terms/conditions in IBBI regulations.
(c)	Make RECOMMENDATIONS to Central Government on formulation and laying down of VALUATION STANDARDS AND POLICIES.
(d)	MONITOR AND ENFORCE compliance with valuation standards and policies in manner specified by IBBI regulations.
(e)	OVERSEE affairs and quality of service of recognised valuers' organisations and registered valuers.
(f)	Perform such OTHER FUNCTIONS relating to (a) to (e) as may be prescribed by Central Government rules.

5.3 Only Registered Valuers — Section 247(1C)

A valuation under the Companies Act shall be undertaken ONLY by a REGISTERED VALUER who shall be appointed by:

- The Audit Committee — primary appointment authority; or
- In the absence of an Audit Committee — by the Board of Directors of that company; or
- In other cases — by such person as may be prescribed by Central Government rules.

Important

The informal practice of appointing any CA/MBA for valuations is now definitively closed. Only IBBI-registered valuers under the three asset classes (Land & Building; Plant & Machinery; Securities or Financial Assets) can conduct valuations.

5.4 Penalties on Valuers' Organisations and Registered Valuers

Provision	Default	Consequence
S.247(3) — Valuers' Organisation	Contravention of S.247 or rules/regulations made thereunder	IBBI may: (a) Suspend/cancel certificate of recognition for 6 months to 10 years; OR (b) Impose penalty up to Rs.1 crore; OR (c) Both.
S.247(3A) — Registered Valuer	Contravention of S.247 or rules/regulations made thereunder	IBBI may: (a) Suspend/cancel certificate of registration for 6 months to 10 years; OR (b) Impose penalty up to Rs.10 lakh; OR (c) Both.
S.247(3B) — Appeal	Person aggrieved by IBBI's order under (3) or (3A)	Appeal to NCLAT within FORTY-FIVE DAYS from date of receipt of order. Prescribed manner and fee.
S.247(3C) — Fraud by Valuer	Contravention with INTENTION TO DEFRAUD any person	CRIMINAL: Imprisonment up to 1 year + fine Rs.50,000 to Rs.25,00,000 OR 8 times remuneration, whichever is less.
S.247(3D) — Fraud by Organisation	Organisation contravenes with intention to defraud	Fine Rs.10 lakh to Rs.1 crore. Every officer in default: imprisonment up to 1 year + fine Rs.50K to Rs.25L.
S.247(3E) — Cognizance bar	Offence under (3C) or (3D)	No court shall take cognizance EXCEPT on written complaint by IBBI/CG authorised officer. Bar on suo motu court action.

5.5 Valuation Standards — Sections 247(5) and (6)

- IBBI shall make RECOMMENDATIONS to CG on formulation of valuation standards and policies
- After examining IBBI's recommendations, CG may provide valuation standards or policies (or addendum thereto) by rules
- This creates a two-step process: IBBI recommends → CG adopts — ensuring both technical expertise and democratic accountability

5.6 Policy Directions — Section 247(7)

Valuation Authority (IBBI) is bound by written policy directions from CG on questions of policy. IBBI must be heard before directions are issued (exception: in writing). CG's decision on what constitutes a 'policy question' is final.

★ KEY POINTS TO REMEMBER — Valuation Authority (Clause 73)

- IBBI is the Valuation Authority under the Companies Act — formally embedded in the statute.
- ALL valuations under Companies Act must be by IBBI-registered valuers — no exceptions.
- Three asset classes for registration: (1) Land & Building; (2) Plant & Machinery; (3) Securities & Financial Assets.
- CAs can be Registered Valuers under 'Securities & Financial Assets' — if IBBI-registered.
- NCLAT is the appellate forum against IBBI valuation orders — 45 days from order.
- Criminal prosecution for fraud requires written complaint from IBBI/CG officer — cannot be filed by private persons.
- Penalty on Valuer's organisation: up to Rs.1 crore. On individual registered valuer: up to Rs.10 lakh.
- LLP Act S.33A applies S.247 mutatis mutandis to LLPs — same registered valuer requirement for LLP partner contributions.
- Section 410: NCLAT's jurisdiction is explicitly extended to hear Valuation Authority (IBBI) appeals.

SECTION 6: THEME V — DECRIMINALISATION

One of the central pillars of CLAA 2026 is the conversion of criminal offences (fine/imprisonment) into civil monetary penalties. This follows the Jan Vishwas Act, 2023 philosophy. Below is a comprehensive, section-by-section analysis.

6.1 Incorporation & Fund Raising

Section	Default	Earlier Punishment	New Civil Penalty
S.4 — Name reservation [Cl.19]	Company fails to comply with CG direction on name	Fine up to Rs.1 lakh	Fixed penalty: Rs.50,000
S.26 — Prospectus [Cl.24]	Prospectus issued in contravention of S.26	Criminal fine (not specified amount)	Rs.2,00,000 (company + every knowing party)
S.40 — Securities allotment [Cl.25]	Default other than sub-section (3) of S.40	Criminal prosecution	Rs.25 lakh (company) + Rs.2 lakh (officer)
S.42 — Private placement [Cl.26]	Penalty for contravention	'which may extend to' — ambiguous	'equivalent to' — fixed and transparent

6.2 Buy-back [Section 68 — Clause 29]

Sub-section	Default	Earlier Punishment	New Civil Penalty
S.68(11) — Company	Contravention of buy-back provisions	Fine Rs.1 lakh to Rs.3 lakh	Listed: Rs.25 lakh Others: Rs.2 lakh
S.68(11) — Officer	Officer in default	Fine Rs.1 lakh to Rs.3 lakh	Listed: Rs.5 lakh Others: Rs.2 lakh

6.3 Meetings

Section	Default	Earlier Punishment	New Civil Penalty
S.99 — AGM default [Cl.33]	Default in complying with S.96 (AGM)	Fine up to Rs.1 lakh + Rs.5,000/day	Rs.1 lakh + Rs.5,000/day Max: Rs.2 lakh (company) / Rs.50,000 (officer)

6.4 Books, Accounts & Audit

Section	Default	Earlier Punishment	New Civil Penalty
S.128(6) — Books [CI.38]	Non-maintenance of books (other than S.128(1)/(5))	Criminal: Fine Rs.50K to Rs.5L	Listed: Rs.5 lakh Others: Rs.50,000 (key officer). For S.128(1)/(5) default: Listed Rs.20L Others Rs.5L.
S.147 — Auditor penalty [CI.47]	Procedural audit defaults (S.139 certain sub-sections, S.140(4), S.141(4), S.142(1)/(2), S.146)	Criminal prosecution	Company: Rs.1L + Rs.500/day (max Rs.5L). Officer: Rs.25K + Rs.200/day (max Rs.1L).
S.148 — Cost audit [CI.48]	Default in S.148(3)/(6)/(7)	Criminal fine/imprisonment	Company: Rs.10K + Rs.100/day (max Rs.2L). Officer: Rs.10K + Rs.100/day (max Rs.50K).

6.5 Directors & Officers

Section	Default	Earlier Punishment	New Civil Penalty
S.166(8) — Directors' duties [CI.56]	Director contravenes S.166 (except S.166(5))	Criminal fine	Listed: Rs.5 lakh Others: Rs.2 lakh. [S.166(5) retains criminal with court recovery of undue gains]
S.167(2) — Acting as disqualified director [CI.57]	Acts as director when office is vacant or DIN deactivated/cancelled	Fine Rs.1L to Rs.5L	Listed: Rs.5 lakh Others: Rs.2 lakh

6.6 Investments, Loans & Related Party

Section	Default	Earlier Punishment	New Civil Penalty
S.186(14) — Investments [CI.61]	Contravention of S.186(9) or (10)	Criminal under earlier S.186(13)	Company: Rs.1L + Rs.500/day (max Rs.5L). Officer: Rs.25K + Rs.200/day (max Rs.1L).
S.189(5A) — Related party register [CI.62]	Failure to comply with S.189 and rules	No specific provision earlier	Rs.2,00,000 (new provision)

6.7 Winding Up, Strike-off, Foreign Companies

Section	Default	Earlier Punishment	New Civil Penalty
S.206(7) — Non-furnishing [CI.65]	Company fails to furnish info to Registrar	Criminal prosecution	Company: Rs.1L + Rs.500/day (max Rs.5L). Officer: Rs.25K + Rs.200/day (max Rs.1L).
S.249(2) — Strike-off application [CI.75]	Application under S.248(2) when restricted	Fine up to Rs.1 lakh	Fixed penalty: Rs.50,000
S.392 — Foreign companies [CI.90]	Contravention of S.380–386 by foreign company	Criminal fine range	Company: Rs.1L + Rs.500/day (max Rs.5L). Officer: Rs.25K + Rs.200/day (max Rs.2L).
S.453 — Improper use of 'Ltd' [CI.100]	Improper use of 'Limited' or 'Private Limited'	Criminal: Rs.500 to Rs.2,000/day	Rs.1 lakh + Rs.500/day (max Rs.5 lakh)
S.469(3) — Rule contravention [CI.107]	Contravention of any rule made under S.469(1)	Criminal fine	Max Rs.5 lakh + Rs.5,000/day for continuing default

★ KEY PRINCIPLES OF DECRIMINALISATION

- Philosophy: minor/procedural defaults → civil penalties. Serious offences (fraud, misrepresentation) → criminal prosecution retained.
- Penalty clarity: 'which may extend to' replaced with 'equivalent to' or fixed amounts — no judicial discretion on amount.
- Section 446B benefit: OPC, small company, startup and Producer Company penalties are further reducible to 50% (or lower prescribed %) under S.446B.
- Transitional: pending criminal complaints for decriminalised offences to be transferred per CG notified Scheme under S.454(10).
- Retained criminal offences: fraud (S.447), non-compliance with NFRA orders (S.132(4A)), valuer fraud (S.247(3C)/(3D)), S.166(5) undue gains.
- Decriminalisation does NOT mean no consequence — civil penalties are mandatory and recoverable under S.454B recovery mechanism.

SECTION 7: THEME VI — GOVERNANCE & COMPLIANCE EASE

7.1 Virtual Meetings — AGM [S.96(3), Clause 32] & EGM [S.100(7), Clause 34]

Companies Act, 2013 originally required physical meetings. Virtual meetings were permitted only through temporary MCA exemptions (COVID-era). CLAA 2026 makes virtual/hybrid meetings a PERMANENT statutory right.

Annual General Meeting — Section 96(3) (New)

Provision	Rule
Default Mode	Company MAY hold AGM: (a) physically; or (b) through video conferencing/audio-visual means; or (c) partly physical + partly virtual (hybrid).
Mandatory Physical AGM	Every company SHALL hold its AGM in PHYSICAL MODE at least ONCE IN EVERY THREE YEARS. Cannot avoid physical AGMs indefinitely.
Member Requisition for Hybrid	If the number of members referred to in Section 100(2) [i.e., members holding 10%+ voting power] requisition a HYBRID meeting, the company SHALL hold it in hybrid mode — mandatory compliance.
Notice Period	Standard 21-day notice applies. Rules may prescribe manner and conditions.

Extraordinary General Meeting — Section 100(7) (New)

Provision	Rule
Default Mode	Company MAY hold EGM: (a) physically; or (b) through video conferencing/audio-visual means; or (c) partly physical + partly virtual.
Member Requisition for Hybrid	If members referred to in S.100(2) requisition a hybrid EGM, the company SHALL hold in hybrid mode.
Wholly Virtual EGM — Shorter Notice	EGM conducted WHOLLY through video conferencing or audio-visual means [S.100(7)] may be called with notice of not less than SEVEN DAYS — instead of the standard 21 days. Rules may prescribe further conditions.

★ KEY POINTS — Virtual Meetings

- Once in 3 years physical AGM is a NEW minimum compliance obligation for ALL companies.
- Companies cannot avoid physical AGMs permanently — 3-year maximum gap.
- Hybrid mode is MANDATORY if requisitioned by S.100(2) members (10%+ voting).
- EGM notice: 7 days for wholly virtual EGM vs 21 days for physical/hybrid — significant advantage for urgent meetings.

- Rules will prescribe manner, terms and conditions — watch for Companies (Meetings of Board) Rules amendment.
- Listed companies may have additional SEBI requirements — check simultaneously.

7.2 CSR Amendments [Section 135 — Clause 43]

Key Changes to CSR Framework

Parameter	Before CLAA 2026	After CLAA 2026
Net profit threshold for S.135 applicability [S.135(1)]	Rs.5 crore	Rs.10 crore (or such sum as CG may prescribe — could be higher in future)
Period to transfer unspent CSR amount — ongoing projects [S.135(6)]	Within 30 days from end of FY	Within 90 days from end of FY (3x more time)
Threshold below which CSR Committee need not be formed [S.135(9)]	CSR obligation up to Rs.50 lakh	CSR obligation up to Rs.1 crore (or such higher amount as CG may prescribe)
Class exemption from entire S.135 [New S.135(10)]	No such provision — all companies meeting criteria must comply	CG may prescribe class or classes of companies (with prescribed conditions) that are fully exempt from S.135

Note on Opposition Concerns

The opposition (Congress, TMC, DMK) opposed the Bill partly due to S.135(10) — the class exemption power. They alleged it could dilute mandatory CSR. This was a key factor in JPC referral. Practitioners should monitor JPC recommendations on this provision.

7.3 Auditor and Secretarial Audit Reforms

(a) Auditor Eligibility — Section 141(1) [Clause 45]

A new proviso is inserted: every partner of an audit firm must be a person who has been REGISTERED WITH A STATUTORY INSTITUTE OR BODY established under a law in India having powers of such registration.

Practical Implication

Every partner of a statutory audit firm must be a member of ICAI — foreign nationals without ICAI membership cannot be partners of a firm appointed as statutory auditor.

(b) Non-Audit Services Restriction — Section 144 [Clause 46]

The existing restriction on non-audit services is strengthened with two new provisos:

- First Proviso: Auditor or audit firm of PRESCRIBED CLASS of companies shall NOT provide, directly or indirectly, ANY non-audit services to the company or its holding company or subsidiary.
- Second Proviso: This restriction continues for THREE YEARS AFTER the auditor/firm has completed its term under Section 139(2). Post-rotation restriction.

Significance

This is a significant tightening. Currently, S.144 restricts specific non-audit services. The new provision for prescribed class companies creates an absolute bar — any non-audit service is prohibited. The 3-year post-rotation restriction is entirely new.

(c) Secretarial Auditor — Section 204 [Clause 64]

Change	Details
New Term	'Company secretary in practice' replaced with 'SECRETARIAL AUDITOR' throughout Section 204 (and in S.149(6)(e) item (A)).
New S.204(1A) — Eligibility	A person is eligible to be secretarial auditor ONLY if he is a company secretary in practice. The role is now specifically designated.
Firm Appointment	A firm whose MAJORITY of partners practising in India are qualified for appointment may be appointed by its FIRM NAME to be the secretarial auditor.
Partner Registration	Every partner of the secretarial audit firm must be registered with a statutory institute or body — parallel to S.141 (statutory audit) and S.148 (cost audit).

★ KEY POINTS — Secretarial Audit

- A distinct professional designation 'secretarial auditor' is created in the Companies Act for the first time.
- Only CS in practice can be secretarial auditor — no change in substantive eligibility.
- Firm appointment: explicitly permitted — parallel to statutory audit firms.
- S.149(6)(e) independence test: 'company secretaries in practice' replaced with 'secretarial auditors' — consistent terminology.
- Partner registration requirement mirrors S.141 and S.148 — all three auditor types now have this requirement.

7.4 Director Identification Number [DIN] — Section 154 [Clause 51]

The existing Section 154 had only one sub-section dealing with allotment of DIN. Clause 51 rennumbers this as sub-section (1) and inserts sub-sections (2) to (7) creating a complete DIN lifecycle framework.

Sub-sec	Provision	Effect
(2)	Person allotted DIN must submit information towards VERIFICATION of particulars to CG or authorised officer at prescribed intervals and in prescribed manner.	New periodic compliance obligation for all DIN holders.
(3)	DIN may be DEACTIVATED or CANCELLED by CG in three circumstances: (a) non-compliance with S.154(2); (b) DIN allotted in contravention of Act; (c) Director disqualified under S.164 or by Tribunal/court order.	Deactivation/cancellation is an administrative sanction with severe consequences.
(4)	Where DIN is DEACTIVATED, the holder shall NOT FUNCTION as a director till it gets REACTIVATED.	Deactivation freezes the director's ability to act. Board decisions signed by deactivated director are invalid.
(5)	Where DIN is CANCELLED, the OFFICE OF SUCH DIRECTOR SHALL BECOME VACANT.	Cancellation is permanent until restoration — automatic vacation of office without any further process.
(6)	A person may SURRENDER his DIN in prescribed manner — voluntary exit mechanism.	Useful for retired directors, NRIs who no longer serve as directors.
(7)	Where DIN has been deactivated, cancelled or surrendered under (3) or (6), it MAY BE REACTIVATED or RESTORED on fulfilling conditions, paying fees, and following prescribed procedure.	Provides a redemption pathway — not a permanent bar.

★ KEY POINTS — DIN Lifecycle

- Deactivation and Cancellation are two distinct consequences — deactivation is reversible; cancellation triggers vacation of office.
- Section 152(3) is also amended (Clause 50) to require that DIN must not be deactivated/cancelled during the entire tenure of functioning as director.
- Companies must monitor DIN status of all directors periodically — not just at appointment.
- Section 167(2) (Clause 57): acting as director with deactivated/cancelled DIN is decriminalised — but carries civil penalty of Rs.5L (listed) / Rs.2L (others).
- Periodic verification (S.154(2)): the actual interval will be prescribed — likely annually. Non-submission triggers deactivation.
- Surrender option: voluntary DIN surrender is a clean exit — useful for directors who face NRI/foreign tax complications.

7.5 Director Disqualification — Section 164 [Clause 54]

Two New Grounds Added to Section 164(1)

New Clause	Ground for Disqualification	Key Points
S.164(1)(j)	Person who has been an AUDITOR, SECRETARIAL AUDITOR, COST AUDITOR, REGISTERED VALUER or INSOLVENCY PROFESSIONAL of the company or its holding/subsidiary/associate company during the IMMEDIATELY PRECEDING THREE FINANCIAL YEARS or during the CURRENT FINANCIAL YEAR.	Mandatory. Includes partners who personally conducted audit/valuation under the Explanation.
S.164(1)(k)	Person who has NOT been assessed by the Board to be a FIT AND PROPER person in accordance with criteria as may be prescribed — with different criteria for different class of companies.	Board must assess each director nominee. Rules will prescribe criteria.

Other Changes to Section 164

Change	Earlier	After CLAA 2026
S.164(1)(g) — Related party disqualification	Person dealing with related party transactions under S.188	Now covers person 'subjected to penalty for default' under S.188 — broader coverage
S.164(2)(a) — Non-filing disqualification period	3 consecutive financial years of non-filing	2 consecutive financial years of non-filing — stricter
S.164(2) long line — vacation of office	Not explicitly linked to S.167(1)	Explicitly states: 'office of director shall become vacant as per S.167(1)' — direct linkage

★ KEY POINTS — Director Disqualification

- S.164(1)(j): 3-year cooling-off before an auditor/valuer/IP can become director — plan career transitions accordingly.
- The Explanation to (j) extends to partners who PERSONALLY conducted audit/valuation — not all firm partners.
- S.164(1)(k): 'Fit and proper' is a new Board-level gatekeeping requirement. Rules will specify criteria.
- Non-filing disqualification: reduced from 3 to 2 FYs — companies must ensure annual returns and financial statements are filed without fail.
- Implication for CA practice: advise auditor clients planning to join board of audit client to ensure 3-year gap.
- The disqualification under (j) covers current FY too — mid-year transitions require careful timing.

7.6 Additional Director — Section 161 [Clause 53]

Provision	Earlier	After CLAA 2026
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Additional director — tenure [S.161(1)]	Until next AGM or last date for AGM, whichever earlier	Until next GENERAL MEETING (AGM or EGM) OR 3 MONTHS from appointment, whichever is earlier
Casual vacancy — tenure [S.161(4)]	Board fills vacancy + subsequent approval at next general meeting	Appointed by Board; person holds office until next GM or 3 months, whichever earlier — no separate approval step
Rejected at GM — reappointment [New S.161(5)]	No restriction — could be reappointed by Board	Person whose appointment COULD NOT BE CONSIDERED or COULD NOT BE APPROVED at GM cannot be appointed by Board as additional/alternate director/casual vacancy director WITHOUT PRIOR MEMBER APPROVAL

★ KEY POINTS — Additional Director

- Tenure shortened: previously up to next AGM (could be nearly a year); now 3 months or next GM, whichever earlier.
- S.161(5) is a new anti-bypass provision: Board cannot reinstate a director rejected at GM without member approval.
- This closes a loophole where Boards would repeatedly appoint rejected persons as additional directors.
- Casual vacancy: cleaner process — Board appoints, person holds for 3 months / next GM without needing separate approval.

7.7 KMP Resignation — New Section 203A [Clause 63]

Section 203A is an entirely new provision creating a statutory resignation procedure for whole-time Key Managerial Personnel (KMP) who are NOT directors.

Sub-section	Provision
203A(1)	KMP (not director) may resign by WRITTEN NOTICE to company. Board takes note on receipt and INTIMATES REGISTRAR in prescribed form, manner and time. If company FAILS to intimate: the KMP may DIRECTLY FORWARD copy of resignation + detailed reasons to Registrar.
203A(2)	Resignation takes effect from: DATE OF RECEIPT by company OR DATE SPECIFIED BY KMP in notice, whichever is LATER. Such KMP remains LIABLE EVEN AFTER RESIGNATION for any default for which he was liable during his tenure.

★ KEY POINTS — KMP Resignation

- Covers whole-time KMPs who are NOT directors: CFO, Company Secretary (if not director), CEO (if not director).
- Mirrors the director resignation mechanism under Section 168.
- Post-resignation liability is EXPLICITLY PRESERVED — cannot escape liability by resigning.
- KMP direct-to-Registrar fallback: protects KMP if company tries to suppress or delay resignation intimation.
- Companies must update resignation checklists and board resolution formats for non-director KMPs.

SECTION 8: THEME VII — MERGERS, BUY-BACK & RESTRUCTURING

8.1 Buy-back Reforms [Section 68 — Clause 29]

Five Key Changes to Section 68

Change	Earlier	After CLAA 2026
Buy-back limit — S.68(2)(c)	Fixed 25% of aggregate paid-up capital and free reserves	For PRESCRIBED COMPANIES: up to PRESCRIBED PERCENTAGE (could be higher or lower). Others: 25% continues.
Two buy-backs per year — S.68(2)(g)	One buy-back per year; next offer only after 12 months from closure	PRESCRIBED COMPANIES may make UP TO TWO offers per year — second offer must not be earlier than SIX MONTHS from closure of preceding offer.
Declaration of solvency — S.68(6)	'Filed and verified by an affidavit'	Words 'and verified by an affidavit' OMITTED — plain declaration suffices.
Equity buy-back percentage reference	25% reference could be ambiguous for total capital	Clarified: 25% reference for equity share buy-back is with respect to TOTAL PAID-UP EQUITY CAPITAL only.
Penalty — S.68(11)	Criminal: fine Rs.1L to Rs.3L	Civil: Listed: Rs.25L (co.) + Rs.5L (officer). Others: Rs.2L each. DECRIMINALISED.

★ KEY POINTS — Buy-back

- Two buy-backs per year for prescribed companies (likely debt-free companies) — significant flexibility.
- Minimum 6-month gap between two buy-backs in the same year — prevents abuse.
- Affidavit removal: reduces procedural burden — a declaration by directors is sufficient.
- Prescribed class: rules will specify which companies get higher buy-back limit and two-per-year benefit.
- Buy-back percentage for equity: reference now clearly to paid-up equity capital only — not total capital.

8.2 Compromises and Mergers [Sections 230–233 — Clauses 67–70]

(a) Single NCLT Jurisdiction — Section 230(1) [Clause 67]

A crucial practical reform. New proviso to S.230(1):

- On and from commencement of CLAA 2026, every application under S.230 or Sections 231 to 233 shall be made to the NCLT having jurisdiction over the TRANSFEREE COMPANY or the RESULTANT COMPANY.

- That NCLT shall exercise all powers for ALL companies involved in the scheme — even if other companies are in different NCLT jurisdictions.
- Transitional: applications pending before any NCLT as on commencement date continue in that NCLT under the old provisions.

Practical Benefit

Eliminates parallel proceedings in multiple NCLTs (Delhi, Mumbai, Hyderabad etc.) for a single merger involving companies from different jurisdictions. Major time and cost saving.

IBC Liquidation Bar — Clarified

- Words 'or under the Insolvency and Bankruptcy Code, 2016' are OMITTED from S.230(1) and S.230(6)
- Meaning: A compromise or arrangement under S.230 is NOT permitted once IBC liquidation is initiated — this is explicitly stated
- Previously ambiguous — now definitively resolved

(b) Fast-Track Merger Thresholds — Section 233 [Clause 69]

Approval	Earlier Threshold	New Threshold (CLAA 2026)
Member approval [S.233(1)(b)]	Majority of members present and voting holding at least [no specific percentage stated]	Majority of members/class present and voting who hold AT LEAST 75% OF VALUE in shares held by such members present and voting.
Creditor approval [S.233(1)(d)]	NINE-TENTHS (9/10th) in value	AT LEAST THREE-FOURTHS (3/4th) in value — REDUCED threshold.
Official Liquidator copy	Required in all cases	NOT REQUIRED where scheme pertains to TRANSFER OR DIVISION (demerger) of undertaking.

★ KEY POINTS — Fast-Track Merger

- Creditor threshold reduced from 9/10ths to 3/4ths — easier to get creditor approval for fast-track mergers.
- Member approval: 75% of value of shares held by those present and voting — aligned with S.230 requirements.
- Official Liquidator exemption for demergers: reduces procedural burden significantly.
- These changes make fast-track mergers more accessible for small company mergers.

(c) New Section 233A — Cross-held Shares [Clause 70]

This entirely new section deals with a legacy problem: before the Companies Act, 2013 came into force, some mergers resulted in transferee companies holding their own shares (or holding them through trusts on behalf of subsidiaries/associates). This was inconsistent with the prohibition on a company holding its own shares.

Sub-section	Provision
233A(1)	Where a TRANSFEREE COMPANY holds any shares in its own name or in the name of any TRUST (on its behalf or behalf of subsidiary/associate) as a result of a compromise or arrangement that took place PRIOR TO COMMENCEMENT OF COMPANIES ACT, 2013 — such shares shall be dealt with or disposed of in PRESCRIBED MANNER within THREE YEARS from commencement of CLAA 2026.
233A(2)	If company FAILS to deal with/dispose of such shares: they shall be CANCELLED AND EXTINGUISHED by the company in prescribed manner. Such cancellation shall be deemed to be a REDUCTION OF SHARE CAPITAL of the company.
233A(3)	PENALTY for failure to comply with S.233A(2): Company and every officer in default — Rs.10,000 FOR EVERY DAY during which default continues.

★ KEY POINTS — Section 233A Cross-held Shares

- THREE-YEAR SUNSET: companies have 3 years from CLAA 2026 commencement to regularise cross-held shares.
- Affects companies that were involved in mergers/amalgamations BEFORE 1st April 2014 (Companies Act 2013 commencement).
- Daily penalty Rs.10,000 begins if company fails to cancel after the 3-year window.
- Companies must urgently audit their share register for legacy self-held shares or shares held through trusts.
- Capital reduction consequence: cancellation under S.233A(2) is deemed capital reduction — requires proper accounting treatment.
- No special resolution or tribunal approval needed for this specific cancellation — it is by operation of law.

SECTION 9: THEME VIII — ENFORCEMENT, RECOVERY & SETTLEMENT

9.1 Adjudication Reforms — Section 454 [Clause 101]

(a) **Suo Motu Application — New Section 454(1A)**

A company or its officer who is in default may make an APPLICATION in prescribed form, manner, and on payment of prescribed fees, under Section 454 for ADJUDICATION OF PENALTY.

Significance

This enables voluntary disclosure and settlement — companies can proactively approach the Adjudicating Officer (Asst. Registrar) to regularise defaults without waiting for MCA/Registrar action. Similar in spirit to voluntary compounding.

(b) **Appellate Authority Expanded**

Section 454(5) is amended: appeals from adjudicating officer orders now lie to the Regional Director OR to SUCH APPELLATE AUTHORITY AS CG MAY, BY NOTIFICATION, SPECIFY. The Appellate Authority shall not be below the rank of Joint Director.

(c) **Court Can Direct Payment of Penalty**

Sections 454(8)(i) and (ii) are amended: where a court imposes fine or imprisonment under S.454(8), the COURT shall also have the POWER TO DIRECT the company/officer to PAY THE AMOUNT OF PENALTY imposed by the original adjudicating order. Ensures penalty is not avoided even when criminal prosecution is launched.

(d) **Penalties Credited to CFI — New Section 454(9)**

All penalties realised under Section 454 shall be CREDITED TO THE CONSOLIDATED FUND OF INDIA. This ensures government revenue accountability.

(e) **Transitional — New Section 454(10)**

On commencement of CLAA 2026, where any offence has been converted from criminal to civil: (a) manner of withdrawal of complaint; (b) manner of transfer of matter for adjudication — shall be per CG-notified Scheme.

9.2 Recovery of Penalties — New Section 454B [Clause 103]

New Section 454B creates a comprehensive PENALTY RECOVERY MECHANISM. If a person fails to pay the penalty imposed under the Act, the Recovery Officer draws up a certificate and recovers using the following modes:

Mode	Recovery Mechanism
(a)	Attachment and sale of MOVABLE PROPERTY of such person
(b)	Attachment of BANK ACCOUNTS of such person
(c)	Attachment and sale of IMMOVABLE PROPERTIES of such person

(d)	ARREST OF THAT PERSON and his DETENTION IN PRISON
(e)	Appointing a RECEIVER for management of movable or immovable properties

For carrying out recovery, the provisions of Sections 220 to 227, 228A, 229, 232, the Second Schedule and Third Schedule to the Income-tax Act, 1961 and Income-tax (Certificate Proceedings) Rules, 1962 apply WITH NECESSARY MODIFICATIONS.

Key Explanations to Section 454B:

- Explanation 1: Movable/immovable property includes transfers to spouse, minor child, son's wife, son's minor child — anti-alienation provision. Prevents fraudulent transfers to evade recovery.
- Explanation 2: References to 'assessee' in IT Act shall be read as 'person specified in the certificate'.
- Explanation 3: Reference to 'appeal' in IT Act shall be read as appeal before Appellate Authority under S.454(5).
- Explanation 4: Interest under IT Act S.220 commences from date penalty became payable.

Recovery Officer = officer not below rank of Assistant Registrar or Assistant Director authorised by CG in writing.

★ KEY POINTS — Section 454B Recovery	
•	Income Tax Act recovery machinery is borrowed wholesale — same attachment, arrest and detention powers.
•	Bank account attachment (mode b) is a powerful tool — directly freezes company/officer bank accounts.
•	Arrest and detention (mode d) — this is for CIVIL DEBT recovery (not criminal) — defaulters can be detained in prison.
•	Anti-alienation protection in Explanation 1: transfers to family members after penalty becomes due do not help.
•	Recovery Officer at Assistant Registrar/AD level — not very high in hierarchy — enables ground-level enforcement.
•	This mechanism transforms decriminalised penalties from 'paper penalties' to genuinely recoverable dues.

9.3 Penalty Settlement — New Section 454C [Clause 103]

New Section 454C creates a SETTLEMENT MECHANISM for persons facing penalty proceedings. This is akin to a 'consent order' or 'settlement' system seen in SEBI/RBI frameworks.

Step	Process
1	Contraventions liable for penalty under the Act are eligible for settlement [S.454C(1)]
2	CG constitutes a SPECIFIED AUTHORITY (officer or group of officers) to administer settlements [S.454C(2)]
3	Any person facing proceedings may FILE APPLICATION in writing to Specified Authority in prescribed form — AT ANY TIME BEFORE PENALTY ORDER IS PASSED [S.454C(3) & (4)]

4	Specified Authority considers NATURE, GRAVITY and IMPACT of contravention — may agree to settlement on payment of sum or other terms [S.454C(5)]
5	If Specified Authority does not agree or parties don't reach agreement within prescribed time: application REJECTED, proceedings continue [S.454C(6)]
6	NO APPEAL against settlement order [S.454C(8)] — settlement is final. All settlement amounts go to CFI [S.454C(9)]

★ KEY POINTS — Section 454C Settlement

- Application window: from initiation of proceedings to BEFORE penalty order — timely application is essential.
- Settlement is discretionary with Specified Authority — not a right of the applicant.
- No appeal against settlement order — finality is the trade-off for quick resolution.
- Different from compounding (S.441): compounding is for criminal offences; S.454C is for civil penalty proceedings.
- This provides a face-saving exit for companies who want to regularise without formal adjudication.
- Settlement amounts go to CFI — not to Registrar/MCA — ensures clean accounting.

9.4 Pre-deposit for Appeals — New Section 454D [Clause 103]

New Section 454D creates a pre-deposit requirement for appeals. No appeal shall be entertained by the NCLAT or Regional Director or Appellate Authority UNLESS the appellant has deposited TEN PER CENT of the penalty amount.

Appeal from Order of	Forum
National Financial Reporting Authority under Section 132	Appellate Tribunal (NCLAT)
Valuation Authority (IBBI) under Section 247	Appellate Tribunal (NCLAT)
Adjudicating Officer under Section 454	Regional Director or Appellate Authority

★ KEY POINTS — Section 454D Pre-deposit

- 10% pre-deposit is mandatory — appeal is NOT admitted without it. There is no waiver provision in the statute.
- This is a significant deterrence against filing appeals merely to delay payment.
- Pre-deposit applies to all three authorities: NFRA, Valuation Authority (IBBI), and S.454 Adjudicating Officers.

- Higher Court (HC/SC) writ jurisdiction may allow stay/waiver of pre-deposit in exceptional cases — but S.454D itself does not.

9.5 Compounding Threshold — Section 441 [Clause 97]

Forum	Earlier	After CLAA 2026
Regional Director / CG-authorized officer	Offence with fine not exceeding Rs.25 lakh	Offence with fine not exceeding Rs.1 CRORE
NCLT	Offences exceeding Rs.25 lakh	Offences exceeding Rs.1 crore

Impact

The 4x increase in compounding threshold means significantly more cases can be handled by Regional Directors without NCLT involvement — faster disposal, lower legal costs for companies.

SECTION 10: PRODUCER COMPANY AMENDMENTS [CLAUSES 83–89]

Clauses 83 to 89 make several amendments to the Producer Company provisions (Sections 378P to 378ZS) — largely easing governance requirements and decriminalising offences.

Clause	Section	Change
83	S.378P	Sub-section (2) omitted. New sub-section (5): directors of Board shall be ELECTED OR APPOINTED by members in GENERAL MEETINGS — not by Board itself.
84	S.378Q	Period for loan/advance default extended: 90 days → 180 DAYS before disqualification occurs. Producer Companies get more time to repay.
85	S.378Y	Quorum for general meeting: ONE-FOURTH of total membership OR 100 MEMBERS, whichever is LESS. Prevents large Producer Companies from being stuck for quorum.
86	S.378ZA	First AGM: within NINE MONTHS from close of first FY. Subsequent AGMs: within SIX MONTHS. First AGM exempts company from holding AGM in incorporation year. Quorum for AGM: 1/4 of membership OR 100, whichever less.
87	S.378ZF	New internal audit threshold: AVERAGE ANNUAL TURNOVER exceeding Rs.5 CRORE (or prescribed amount) in each of 3 consecutive FYs. Auditor: CA or CMA or other professional as Board decides. Manner and intervals prescribed by rules.
88	S.378ZM	DECRIMINALISED: (1) Use of Producer Company name without being member: Penalty Rs.1L + Rs.500/day (max Rs.5L). (2) Contravention: Penalty Rs.25K + Rs.200/day (max Rs.5L). (3) Director/officer failing to hand over books or failing to convene AGM/GM: Penalty Rs.25K + Rs.200/day (max Rs.1L).
89	S.378ZS	DECRIMINALISED: Default in providing copies of documents: Rs.100 per copy in default.

★ KEY POINTS — Producer Companies

- Directors must now be elected at general meetings — Board cannot appoint directors in Producer Companies.
- Quorum cap at 100 members (whichever less): prevents large agricultural cooperatives from facing quorum problems.
- First AGM: 9 months from first FY close (vs companies' standard); subsequent: 6 months.
- Internal audit threshold Rs.5 Cr turnover: many smaller Producer Companies will benefit from exemption.
- All Producer Company offences are decriminalised — civil penalties only.

SECTION 11: OTHER IMPORTANT AMENDMENTS

11.1 Board Reports — New Disclosures [Section 134 — Clause 42]

Two New Clauses Added to Section 134(3)

New Clause	Disclosure Required
(fa) — New	Board's Report must include: EXPLANATIONS OR COMMENTS by the Board on every OBSERVATION OR COMMENT of the AUDITORS on financial transactions or matters adversely affecting the company [S.143(3)(f)], AND any QUALIFICATION, RESERVATION or ADVERSE REMARK relating to maintenance of accounts [S.143(3)(h)]. Form to be prescribed.
(pa) — New	Board's Report must include: (i) COMPOSITION OF AUDIT COMMITTEE; and (ii) where the Board had NOT ACCEPTED any RECOMMENDATION of the Audit Committee — a statement along with the REASONS THEREFOR.

★ KEY POINTS — Board Report Disclosures

- Clause (fa): requires active Board engagement with audit qualifications — not silence. Board must respond to every adverse auditor comment.
- Clause (pa): disclosure of Board-Audit Committee disagreement is now mandatory — promotes audit committee independence.
- These disclosures will significantly improve corporate governance visibility for investors.
- If the Board has overridden Audit Committee recommendations, shareholders must be informed with reasons.

11.2 Independent Director Reforms [Section 149 — Clause 49]

Amendment	Details
'Current FY' added to pecuniary test [S.149(6)(e)]	Independent director's pecuniary interest disqualification now covers transactions during CURRENT FY in addition to preceding 2 FYs — tighter independence standard.
'Secretarial auditors' in S.149(6)(e)(A)	'Company secretaries in practice' replaced with 'secretarial auditors' — consistent with S.204 terminology change.
Transaction threshold flexibility [S.149(6)(e)(B)]	'10% or more' of firm turnover → '10% OR SUCH LOWER PERCENT as may be prescribed' — CG can make standard stricter.
Continuing obligation [New S.149(6A)]	Every independent director SHALL ENSURE that he CONTINUES to fulfil S.149(6) requirements DURING the TERM of his appointment — not just at time of appointment.
Cooling-off extended to group [S.149(11)]	Restriction on appointment/association after tenure now applies to company AND ITS HOLDING, SUBSIDIARY or ASSOCIATE COMPANY — not just the appointing company.

Additional director period in tenure [New Explanation 2]

Any period served as ADDITIONAL DIRECTOR shall be INCLUDED in tenure as independent director for purpose of S.149(10) and (11) consecutive term limit.

★ KEY POINTS — Independent Directors

- Continuing independence obligation (S.149(6A)): ID must monitor and ensure continued independence throughout tenure.
- Additional director period counts toward tenure: prevents gaming by appointing IDs first as additional directors.
- Cooling-off extended to group companies: post-tenure restrictions apply to holding/subsidiary/associate too.
- Lower transaction threshold: CG can tighten the 10% standard — watch for rules.

11.3 IEPF Amendments [Sections 124 & 125 — Clauses 36 & 37]**Section 124 — Transfer of Unpaid Dividend**

- New words added to S.124(5): 'along with any dividend which has not been paid or claimed where such shares have been transferred by the company under sub-section (6)'
- Meaning: when shares are transferred to IEPF under S.124(6), any unpaid dividend on those shares must ALSO be transferred to IEPF Authority
- Word 'Authority' inserted after 'Fund' in S.124(6) — explicit recognition of IEPF Authority role

Section 125 — IEPF Utilisation

- New clause (ma): amounts from SHARES BOUGHT BACK AND EXTINGUISHED remaining unpaid/unclaimed for 7+ years → credited to IEPF
- Sub-section 3(a) substituted: IEPF utilised for refund of unclaimed dividends AND amounts from clauses (h) to (n) of S.125(2)
- Sub-section 4: simplified claim process — 'apply in accordance with such procedure and on submission of such documents as may be prescribed' (removes reference to S.125(5) authority)
- New S.125(12): IEPF Authority may delegate by notification to any member, officer or person — any of its powers and functions as it deems necessary

★ KEY POINT — IEPF

- Buy-back proceeds (unpaid/unclaimed for 7 years) now go to IEPF — first time this category is specifically added.
- IEPF Authority delegation power: enables decentralised claim processing — speeds up refunds.
- Shareholders must check IEPF website for unclaimed dividends AND buy-back amounts.

11.4 NCLT/NCLAT Reforms [Sections 419, 418A — Clauses 95 & 96]

Provision	Change
S.418A(3) — NCLAT Tie-breaking [CI.95]	If NCLAT Bench members DIFFER IN OPINION: if majority exists → decided by majority. If EQUALLY DIVIDED → matter referred by Chairperson to one or more other members. Decision by majority of ALL members who heard the case (including first bench). Resolves NCLAT deadlocks.
S.419(4) — NCLT Bench for IBC [CI.96]	'Part II of' IBC replaced with 'any of the provisions of' IBC — enables NCLT Benches to be constituted for ANY IBC provision (not just Part II insolvency).
S.419(4A) — Special Benches [CI.96]	NCLT President may constitute SPECIAL BENCHES to exercise powers for disposal of cases under Companies Act OR IBC — in prescribed manner. Flexible special purpose bench creation.

11.5 New Section 466A — Government Guidelines [Clause 106]

The Central Government may issue DIRECTIONS, GUIDELINES or CIRCULARS for two specific purposes:

- (a) CLARIFYING THE MEANING OR INTENT of any rule
- (b) LAYING DOWN PROCEDURAL REQUIREMENTS ANCILLARY to any rule

Conditions:

- Before issuing: CG shall consult expert bodies or individuals in prescribed manner
- Exception: if urgent and in public interest — CG may issue without consultation, with written reasons
- These guidelines/circulars are IN ADDITION TO rules under S.469 — not a substitute. In case of conflict, RULE PREVAILS over guideline/circular

★ KEY POINTS — Section 466A

- Formalises the practice of MCA issuing clarificatory circulars — gives statutory backing.
- Rule prevails in conflict: circulars cannot override rules — hierarchy is maintained.
- Public consultation before guidelines — transparency in subordinate regulation.
- Provides CAs with a statutory basis to rely on MCA circulars for client advice.

SECTION 12: MASTER REFERENCE TABLES — IMPORTANT POINTS

12.1 All Critical Numbers and Thresholds

Parameter	Amount / Period	Section
Small company: paid-up capital limit	Rs.20 crore	S.2(85)(i)
Small company: turnover limit	Rs.200 crore	S.2(85)(ii)
CSR applicability: net profit threshold	Rs.10 crore	S.135(1)
CSR unspent amount transfer period (ongoing projects)	90 days	S.135(6)
CSR Committee not required if obligation below	Rs.1 crore	S.135(9)
Physical AGM minimum — once in every	3 years	S.96(3)
EGM notice for wholly virtual EGM	7 days	S.101 proviso
Director disqualification: non-filing consecutive FYs	2 FYs	S.164(2)(a)
Additional director tenure (max)	3 months or next GM	S.161(1)
Fast-track merger: creditor approval threshold	3/4ths (75%)	S.233(1)(d)
Fast-track merger: member value approval	75% of votes	S.233(1)(b)
Cross-held shares disposal window from CLAA 2026	3 years	S.233A(1)
Cross-held shares default penalty (per day)	Rs.10,000	S.233A(3)
Shares/unpaid dividend → IEPF (unclaimed period)	7 years	S.124/S.125
Buy-back: two offers per year — minimum gap	6 months	S.68(2)(g)
Charge registration: extended period for small companies	120 days	S.77
NFRA non-compliance: imprisonment (individual)	Up to 6 months	S.132(4A)
NFRA non-compliance: firm fine range	Rs.5L – Rs.25L	S.132(4A)
S.132A: penalty for non-filing (daily)	Rs.500/day	S.132A(3)
S.132A: maximum penalty for non-filing	Rs.25 lakh	S.132A(3)
S.132A: penalty for false statement (daily)	Rs.1,000/day	S.132A(4)
S.132A: maximum penalty for false statement	Rs.50 lakh	S.132A(4)
S.132C: NFRA direction default — audit firm maximum	Rs.1 crore	S.132C(2)
Valuation Authority: registration suspension (range)	6 months to 10 years	S.247(3)/(3A)
Registered valuer: maximum penalty	Rs.10 lakh	S.247(3A)
Valuers' organisation: maximum penalty	Rs.1 crore	S.247(3)
Registered valuer fraud: imprisonment (max)	1 year	S.247(3C)

NCLAT appeal against NFRA/IBBI/S.454 — time limit	45 days	S.132D(5), S.247(3B), S.365A
Pre-deposit for appeal against NFRA/IBBI/S.454	10% of penalty	S.454D
Compounding threshold (Regional Director)	Rs.1 crore	S.441(1)(b)
Compounding threshold (NCLT)	Above Rs.1 crore	S.441(1)(a)
S.447 fraud: minimum fine	Rs.25 lakh	S.447
S.447 second proviso (fine)	Rs.1 crore	S.447 proviso
NFRA supersession: maximum period	6 months	S.132H
NFRA regulation review cycle	3 years	S.132K
Producer Company: quorum for GM	1/4 or 100, whichever less	S.378Y
Producer Company: first AGM period	9 months from FY close	S.378ZA
Producer Company: internal audit turnover threshold	Rs.5 crore	S.378ZF
KMP resignation: effective date	Date of receipt or specified date	S.203A(2)

12.2 All New Sections Inserted into Companies Act by CLAA 2026

New Section	Title / Content
S.12A	Digital presence — website, email, communication for prescribed companies
S.43A	IFSC companies — foreign currency share capital, books, filings; INR for government dues
S.96(3)	AGM — virtual/hybrid permitted; physical AGM mandatory once in 3 years
S.100(7)	EGM — virtual/hybrid permitted permanently
S.132A	Auditor registration with NFRA; returns filing; penalties for default and false statement
S.132B	NFRA Fund constitution and application
S.132C	NFRA directions to auditors in public interest; penalties for non-compliance
S.132D	NFRA inquiry and penalty imposition; recovery; appeal to NCLAT in 45 days
S.132E	Civil court jurisdiction barred on NFRA matters; no injunction against NFRA
S.132F	Immunity for CG, NFRA, Chairperson, members and employees for good faith acts
S.132G	Central Government policy directions to NFRA
S.132H	Supersession of NFRA by Central Government (up to 6 months)
S.132-I	NFRA fee levy on auditors of NFRA-jurisdiction companies
S.132J	NFRA regulation-making power
S.132K	Transparency in NFRA regulation-making (public comment; 3-year review)
S.154(2)–(7)	DIN lifecycle: periodic verification, deactivation, cancellation, surrender, restoration
S.161(5)	Board cannot re-appoint a person rejected at GM without prior member approval
S.164(1)(j)	Disqualification: recent auditor/valuer/IP of company or group company
S.164(1)(k)	Disqualification: not assessed as fit and proper by the Board
S.203A	KMP (non-director) resignation procedure; post-resignation liability
S.204(1A)	Secretarial auditor eligibility and firm appointment
S.233A	Cross-held shares from pre-2013 mergers: 3-year disposal; cancellation; daily penalty
S.247(1A)/(1B)/(1C)	IBBI as Valuation Authority; registered valuer framework; appointment

S.247(3)/(3A)/(3B)/(3C)/(3D)/(3E)	Penalties, suspension/cancellation, appeals, criminal provisions for valuers
S.247(5)–(11)	Valuation standards; policy directions; delegation; regulation-making
S.365A	Appeal against CG order under Part IV (winding up) to NCLAT within 45 days
S.396A	Appeal against Registrar's decision under S.4 (name) or S.7 (incorporation) to Joint Director level officer
S.418A(3)	NCLAT Bench tie-breaking: majority of all members who heard the case
S.419(4A)	NCLT: President may constitute Special Benches for Companies Act/IBC matters
S.454(1A)	Suo motu adjudication application by company or officer in default
S.454(9)	All penalties under S.454 credited to Consolidated Fund of India
S.454(10)	Transitional: pending criminal cases for decriminalised offences to be transferred by CG Scheme
S.454B	Recovery mechanism for unpaid penalties (IT Act procedure applied)
S.454C	Settlement mechanism: application, Specified Authority, terms, finality
S.454D	Pre-deposit 10% of penalty for appeals against NFRA/Valuation Authority/S.454 orders
S.466A	CG power to issue guidelines/circulars clarifying rules; consultation requirement

12.3 Appeals & Forums — Complete Reference

Order / Decision	Appellate Forum	Time Limit	Pre-deposit
NFRA order (S.132 / S.132D)	NCLAT	45 days	10% of penalty
Valuation Authority (IBBI) — S.247(3)/(3A)	NCLAT	45 days	10% of penalty
S.454 Adjudicating Officer	Regional Director / Appellate Authority (Joint Director+)	As prescribed	10% of penalty
Regional Director / Appellate Authority (S.454)	NCLAT (under S.454A)	As prescribed	Nil (not specified)
CG order under Part IV (winding up)	NCLAT (new S.365A)	45 days	Nil (not specified)
Registrar: S.4 (name) / S.7 (incorporation)	Joint Director level officer (new S.396A)	As prescribed	Nil (not specified)
Registrar: S.12 (registration) / S.16 (name) under LLP Act	Prescribed CG officer (LLP Act new S.68B)	As prescribed	Nil
LLP Act: Trust conversion refusal by Registrar	Tribunal (NCLT) — Fifth Schedule Para 6	As per NCLT Rules	As per NCLT Rules
S.232/S.233 scheme — aggrieved party	NCLT (jurisdictional or S.230 transferee NCLT)	As per NCLT Rules	As per NCLT Rules

12.4 Rule-Making Powers — What Remains to Be Prescribed

A large number of provisions use the phrase 'as may be prescribed' — the following require Central Government Rules, NFRA Regulations, IBBI/Valuation Authority Regulations, or IFSCA Regulations to become operational:

Authority	What Needs to be Prescribed / Specified
Central Government (Rules under Companies Act)	Form for FY realignment application [S.2(41)]; Form for S.7 declarations; S.12A (website/email) class and form; S.20 electronic service class and manner; S.43A(3) foreign currency document filing; Buy-back percentage and two-per-year class [S.68(2)]; Charge registration extension class [S.77]; S.96(3)/S.100(7) meeting manner and conditions; S.125(4) IEPF claim procedure; S.132 NFRA investigation manner; S.132A auditor registration time/manner/fees; S.134(3)(fa) Board response form; S.135 CSR thresholds and class exemption; S.139(12) auditor exemption class; S.144 non-audit service company class; S.148 cost accounting standards; S.149(6)(e)(B) lower percentage; S.154 DIN verification/deactivation/cancellation/surrender/restoration; S.161(5) member approval procedure; S.164(1)(k) fit and proper criteria; S.203A resignation intimation form and time; S.233 fast-track meeting manner; S.233A disposal manner and cancellation manner; S.247(1B)(f) additional Valuation Authority functions; S.247(1C) other appointing authority; S.247 valuation standards; S.248(2) liability extinguishment manner; S.365A appeal form and fee; S.374 declaration form; S.378ZF internal audit thresholds and manner; S.396A appeal form; S.403 additional fee amount; S.419(4A) Special Bench constitution; S.441 compounding forms; S.446B percentage below 50%; S.454(1A) suo motu form and fee; S.454C settlement procedure; S.466A consultation manner; S.469(3) penalty amounts
NFRA (Regulations)	Investigation manner; meeting procedure; staff service conditions; expert engagement; S.132A form/manner/period/fees for returns; penalty recovery; NFRA fee levy
Valuation Authority (IBBI) (Regulations)	Qualifications/experience for registered valuers; terms for valuers' organisation recognition and valuer registration; manner of valuation; inspection of valuers; suspension/cancellation procedures; delegation; fee levy; manner of IBBI exercising its functions
IFSCA (Regulations/Notifications)	Permitted foreign currency list [S.43A(5)(c)]; conversion period and manner for existing IFSC companies [S.43A(1) proviso]; INR book permission for IFSC companies [S.43A(2) proviso]
CG (Scheme)	Transfer/withdrawal of pending criminal cases for decriminalised offences [S.454(10)]

SECTION 13: CURRENT LEGISLATIVE STATUS & DISCLAIMER

IMPORTANT NOTICE — THIS BILL IS NOT YET LAW

The Corporate Laws (Amendment) Bill, 2026 was introduced in Lok Sabha on 23rd March 2026 and referred to a Joint Parliamentary Committee (JPC). It has NOT received Parliamentary approval or Presidential assent. All provisions analysed in this study material are subject to JPC recommendations and modification.

Hundreds of rules, regulations, schemes and notifications must be issued before the Act becomes fully operational. Practitioners should not implement changes based solely on this Bill's provisions — await final enactment and subordinate legislation.

Legislative Milestone	Status
Union Cabinet Approval	10th March, 2026 — Completed
Introduction in Lok Sabha	23rd March, 2026 — Completed (by Finance Minister Nirmala Sitharaman)
Referred to Joint Parliamentary Committee	23rd March, 2026 — Completed (voice vote; members from Lok Sabha and Rajya Sabha)
JPC Deliberations & Report	Ongoing — Budget Session ends 2nd April 2026; JPC report may come in next session
Parliamentary Passage (Lok Sabha)	Pending — Likely a future Parliamentary session
Parliamentary Passage (Rajya Sabha)	Pending
Presidential Assent	Pending
Date of Commencement Notification by CG	Pending — different provisions may have different commencement dates

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