

Union Cabinet Approves Amendments to Companies Act

Since the institution of the Companies Act, 2013, the Government of India has undertaken various amendments to the Act including the recent **amendment to decriminalize various offences**. The Union Cabinet meeting, chaired by Prime Minister Narendra Modi, on Wednesday gave its approval to the **Companies (Second Amendment) Bill, 2019**. The bill has been set out to amend the Companies Act, 2013. The cabinet approved as many as **72 amendments to 65 sections of the Companies Act**. The Companies (Second Amendment) Bill, 2019 would remove criminality under the Act in case of defaults which can be determined objectively, which lack the element of fraud or do not involve larger public interest. The Amendment Bill will become a law after it is passed by both the houses of the Parliament and receives Presidential nod.

The proposed amendments in Companies Act, 2013 aims at **de-clogging the criminal justice system** in the country to eventually improve the ease of doing business in the country. In her interaction with media after cabinet meeting, Finance Minister Nirmala Sitharaman said, **"This Bill furthers ease of living for law-abiding corporate and de-clogs the criminal justice system in the country."**

Amendments to Companies Act, 2013

- The Companies (Second Amendment) Bill, 2019 **re-categorizes as many as 23 offences out of 66 compoundable offences** under the Companies Act so that they can be dealt with through in-house adjudication framework. Additionally, a total of 7 compoundable offences would be omitted altogether.
- The Amendment bill proposes to **remove the provision of imprisonment** and limit the punishment in the form of fines alone. Moreover, the bill proposes to reduce the quantum of penalty.
- The Amendment bill exempts companies with obligation to spend Rs 50 lakh or less under the Corporate Social Responsibility (CSR) from the requirement of having a CSR committee. The Companies which spend over the obligated 2% on CSR in a particular year can carry it forward as credit for fulfillment of CSR obligations for the next few years as well.
- The Companies (Amendment) Bill, 2019 also proposes to increase the penalty of settling offences by a Regional Director from Rs 5 lakh to Rs 25 lakh

This is the second change being made to the Companies Act in the last one year. Previously the act was amended in July last year.

Take Away

In its effort to improve the ease of doing business in the country, the Union cabinet gave its approval to the Companies (Amendment) Bill, 2019. The bill seeks to amend the Companies Act, 2013. As per the Finance Minister, the priority of the amendment bill is to decriminalize the Companies Act. The Amendment Bill proposes to remove the imprisonment angle and reduce the quantum of penalty. The proposed changes in the Companies Act are aimed at protecting corporates in case of genuine commercial failures and improving the ease of doing business.