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A Ryan LLC Affiliate

REGULATORY ALERT

March 26, 2026

**Key Proposed Amendments to the
Companies Act, 2013 and the Limited
Liability Partnership Act, 2008**

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The Corporate Laws (Amendment) Bill, 2026 ('Bill') was introduced in Lok Sabha (Bill No. 85 of 2026) by the Minister of Finance and Corporate Affairs on 18 March 2026. The Bill contains 107 clauses proposing amendments to the Companies Act, 2013 ('Companies Act') and the Limited Liability Partnership Act, 2008 ('LLP Act'). The proposals are based on recommendations of the Company Law Committee, stakeholder consultations, and the High-Level Committee on Non-Financial Regulatory Reforms. The proposals aim to improve ease of doing business, simplify compliance, streamline regulations, recognise new developments, and remove ambiguities.

The key proposed amendments are as under:

Mergers, amalgamations and restructuring

Single NCLT bench jurisdiction: Applications for schemes under Sections 230 to 233 shall be made to the Tribunal having jurisdiction over the transferee or resultant company, thereby eliminating the need for parallel filings before the NCLT bench having jurisdiction over each company involved. Pending applications shall be dealt with in accordance with the provisions applicable prior to the enactment of the Bill.

Liquidation under Insolvency and Bankruptcy Code, 2016 ('IBC') interplay clarified: References to the IBC in Section 230 are proposed to be omitted, clarifying that a compromise or arrangement under the Companies Act is not permitted where liquidation under IBC has commenced.

Fast-track merger approval thresholds rationalised: Member approval threshold reduced from 90% of total shares to 75% of the value of shares held by members present and voting. Creditor approval threshold reduced from nine-tenths to three-fourths in value.

Demerger relief: Copy of the scheme need not be filed with the Official Liquidator where the scheme pertains to transfer or division (demerger) of the undertaking of the company.

Pre-2013 treasury shares: Transferee companies holding shares in their own name or through a trust arising from pre-Companies Act, 2013 amalgamations will be required to deal with or dispose of such shares within three years from commencement of the proposed legislation in the manner as may be provided by rules. Failure to do so shall result in the cancellation and extinguishment of such shares in the prescribed manner, which shall be deemed to be a reduction of share capital.

Buyback of shares and securities

Enhanced limit and dual offers: For prescribed class or classes of companies, buy-back may be up to such higher percentage of aggregate paid-up capital and free reserves as may be prescribed (currently capped at 25%), and up to two buy-back offers within a year will be permitted, provided the second offer is not made earlier than six months from closure of the preceding offer.

RSUs and SARs now covered: The buy-back framework is proposed to be extended to include

securities issued under a scheme linked to the value of the share capital of the company, thereby covering Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs), in addition to ESOPs.

Unclaimed buy-back amounts to IEPF: Amounts from shares bought back and extinguished, remaining unpaid or unclaimed for seven or more years, to be credited to the Investor Education and Protection Fund.

Definition of 'small company'

The paid-up share capital threshold is proposed to be enhanced from INR 10 crore to INR 20 crore and the turnover threshold from INR 100 crore to INR 200 crore.

Exemption from appointment of auditors for prescribed class of companies

The Bill proposes that prescribed classes of companies fulfilling prescribed conditions shall be exempt from the mandatory requirement of appointing an auditor under the Companies Act.

Trust not to be a registered member

New Section 88(2A) of the Companies Act provides that no notice of any trust, whether express, implied or constructive, shall be entered in the register of members or debenture holders; a trust shall be registered as the beneficial owner and the trustee shall be registered as the member.

Specified Trusts can now convert into LLPs

A 'specified trust' (being a trust established under the Indian Trusts Act, 1882 or under any Central or State Act, and registered with SEBI or the IFSCA, having such activities as may be prescribed) may convert into an LLP in accordance with Chapter X of the LLP Act and the new Fifth Schedule. All partners of the resulting LLP shall be the trustees only, and the consent of three-fourths of the investors of the trust shall be required.

Corporate Social Responsibility ('CSR')

The net profit threshold triggering CSR obligation is proposed to be enhanced from INR 5 crore to INR 10 crore (or such higher amount as may be prescribed).

The threshold below which no CSR Committee is required to be constituted is proposed to be

enhanced from INR 50 lakh to INR 1 crore (or such higher amount as may be prescribed).

The timeline for transferring unspent CSR amounts for ongoing projects to the Unspent CSR Account is proposed to be extended from 30 days to 90 days from the end of the financial year.

A new Section 135(10) is proposed to be inserted, enabling the Central Government to prescribe classes of companies that shall not be required to comply with Section 135.

Board's report - new disclosures for enhanced governance:

Current provisions require the Board's Report to provide explanations for qualifications and adverse remarks made by the auditor. The proposed amendment would require the Board to give explanations or comments on:

- auditor observations on financial transactions or matters adversely affecting the company; and
- any qualification, reservation, or adverse remark relating to maintenance of accounts.

Further, disclosure of the composition of the Audit Committee and, where the Board does not accept any recommendation of the Audit Committee, disclosure of the same along with reasons will be required.

Regional Director empowered to restore struck-off companies

Section 252 is proposed to be amended to empower Regional Directors to order the restoration of a company's name in the register of companies struck off by the Registrar under Section 248, in addition to the existing NCLT route.

Fit and proper test - new criteria for director appointment

A new disqualification is proposed to be introduced requiring that a person must be assessed by the Board to be a fit and proper person in accordance with prescribed criteria before being appointed as a director. Different criteria may be prescribed for different classes of companies.

Other notable proposed amendments:

Decriminalisation of various procedural defaults:

The Bill proposes to replace criminal provisions with civil penalties for a range of procedural defaults.

IFSC - foreign currency regime: Proposed new Section 43A requires IFSC companies to issue and maintain share capital in permitted foreign currency, with books of account and financial statements also maintained in that currency; fees and penalties continue in Indian rupees. Parallel changes are proposed for Specified IFSC LLPs under the LLP Act.

NFRA reforms: NFRA is proposed to be constituted as a body corporate with its own fund, giving it wider disciplinary powers, alongside the introduction of a comprehensive regulatory framework. The proposals also mandate intimation of auditor's ICAI registration details to NFRA and require the filing of prescribed documents, returns, or information with NFRA, in prescribed form and manner, and within prescribed timelines.

NCLT and NCLAT reforms: The NCLT President may constitute Special Benches for specific cases under the Companies Act or IBC. A tie-breaking mechanism is introduced for equally divided NCLAT benches - the Chairperson refers such point to one or more other Members; decisions are made by majority of all members who heard the case including those who first heard it.

DHRUVA INSIGHT

Through the proposed amendments, the fast-track merger route under Section 233 is set to become significantly more accessible as the 'present and voting' qualification materially reduces practical constraints in the context of members' approval. While the creditor approval threshold has also been reduced from nine-tenths to three-fourths in value, it is notable that this relaxation does not incorporate a 'present and voting' criteria, unlike members' approval.

Additionally, the proposed rationalisation to file application only with the Tribunal having jurisdiction over the transferee or resultant company, thereby eliminating multiple filings and improving transaction timelines, is a welcome move. That said, stamp duty implications will require careful evaluation.

The proposed revision to the definition of a small company will directly expand the universe of companies eligible for the fast-track merger route under Section 233, given that such route is available to small companies.

On buy-back, the proposal to permit prescribed classes of companies (to be notified) to undertake buy-backs beyond the existing 25% threshold of paid-up capital and free reserves, as well as to undertake two buy-back offers within a year, represents a significant shift. This would enable more efficient capital return mechanisms for shareholders. Further, the explicit recognition of RSUs and SARs within the buy-back framework is a welcome and pragmatic development.

Separately, proposal to introduce trust-to-LLP conversion framework is a landmark reform for the AIF industry. A substantial number of AIFs are structured as trusts, and the proposed framework enables their conversion into LLPs with automatic vesting of assets and liabilities, thereby reducing complexity and eliminating the need for cumbersome restructuring exercises. However, tax and stamp duty implications on vesting of assets will need to be carefully evaluated.

By way of the proposed insertion of Section 88(2A), a clarification has been provided that a trust shall be registered as a beneficial owner and the trustee shall be registered as a member in the register of members of a company. This provides much-needed clarity for trust-based holding structures. A clarification on similar lines for a trust to become partner in an LLP could also be helpful.

Lastly, eligible companies will be relieved from the cost and compliance burden of a mandatory statutory audit, subject to conditions to be prescribed by rules. This proposed amendment is a welcome ease of doing business measure.

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