4. The Companies (Amendment) Bill, 2020

Prelims Level: **Polity & Governance**

Mains Level: **GS-II Government Policies and Interventions for Development in Various Sectors and Issues Arising out of their Design and Implementation.**

Context:

- Recently, the bill to amend the Companies Act 2013 and decriminalise various offences under it was introduced in Lok Sabha. The Bill also offers greater flexibility to companies in meeting their corporate social responsibility obligations. The government says the amendments in the existing Companies Act will help reduce the burden on the National Company Law Tribunal.

Key Highlights of the Bill:

- **The Companies (Amendment) Bill, 2020 provides for the following:**
- **Decriminalize:** decriminalise certain offences under the Act in case of defaults which can be determined objectively and which otherwise lack any element of fraud or do not involve larger public interest.
- **Empowering the Central Government:** empower the Central Government to exclude, in consultation with the Securities and Exchange Board, certain classes of companies from the definition of "listed company", mainly for listing of debt securities.
- **Jurisdictions:** clarify the jurisdiction of trial court on the basis of place of commission of offence under section 452 of the Act for wrongful withholding of property of a company by its officers or employees, as the case may be.
- **Producer Companies:** Incorporate a new chapter in the Act relating to Producer Companies, which was earlier part of the Companies Act, 1956.
- **NCLAT Benches:** Set up Benches of the National Company Law Appellate Tribunal.
- **Remuneration to the executives:** make provisions for allowing payment of adequate remuneration to non-executive directors in case of inadequacy of profits, by aligning the same with the provisions for remuneration to executive directors in such cases.
- **Relaxing the provisions:**
  - ✓ relating to charging of higher additional fees for default on two or more occasions in submitting, filing, registering or recording any document, fact or information.
  - ✓ exempt any class of persons from complying with the requirements relating to declaration of beneficial interest in shares

- ✓ Reduce timelines for applying for rights issues so as to speed up such issues.
- ✓ extend exemptions to certain classes of non-banking financial companies and housing finance companies from filing certain resolutions.
- ✓ provide for a window within which penalties shall not be levied for delay in filing annual returns and financial statements in certain cases.
- ✓ provide for specific classes of unlisted companies to prepare and file their periodical financial results;
- ✓ allow direct listing of securities by Indian companies in permissible foreign jurisdictions as per rules to be prescribed.

- **Corporate Social Responsibility:** the companies which have spending obligation up to fifty lakh rupees shall not be required to constitute the Corporate Social Responsibility Committee
  - ✓ to allow eligible companies to set off any amount spent in excess of their Corporate Social Responsibility spending obligation in a particular financial year towards such obligation in subsequent financial years;

Concerns:

- The Bill proposed 72 changes to the Companies Act, 2013. Almost 23 offences would be recategorized out of 66 compoundable offences under the Act, to be dealt with an in-house adjudication framework. Besides, seven compoundable offences would be omitted.
- Raising concerns about the Yes Bank crisis, some Opposition leaders alleged that the bill was aimed to appease corporates and demanded that it should be referred to the Parliamentary Standing Committee on Finance.

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