

Bill to decriminalize Company Law Breaches likely this Parliament Session

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- Bill will decriminalize over 40 offences which will be classified as civil wrongs not warranting jail term.
- Bill aims to make systemically important unlisted companies file financial statements more frequently.

The Center is set to move a Bill to amend the **Companies Act 2013** in the current session of Parliament that seeks to decriminalize select offences and moderate the penalty regime for small companies.

The Corporate Affairs Ministry will seek the Union Cabinet's approval for the Bill before it is tabled in Parliament when it reconvenes on 2nd March, said a person privy to the development.

The Bill will decriminalize over **40 offences** which will be classified as civil wrongs not warranting Jail term, said the person. The move is part of efforts to Streamline Regulatory Ecosystem and make it easier for doing business, a priority for the Government.

The Bill will also roll back Jail term for violations of **Corporate Social Responsibility (CSR)** related obligations that was introduced through an amendment last year. A panel led by Corporate Affairs Secretary Injeti Srinivas had last year recommended roll-back of the provision for imprisonment of officers, who are in default if companies do not transfer unspent CSR Funds to a designated Government fund within a specified time. The proposal introduced in the Companies Act had resulted in a backlash from the industry.

Indian companies spend around Rs.15, 000 crore a year on CSR as per official estimates.

Another proposal to be taken up as part of amendments to the law is to require systemically important unlisted companies to file financial statements more frequently than annually. At present, listed companies file financial statements every quarter while unlisted ones file once a year. However, many large businesses groups have unlisted holding companies which the government believes need to do be more open about their affairs. The Bill is likely to specify a threshold for unlisted companies to be covered under this provision.

The Corporate Affairs Ministry is also working on Amendments to the Competition Act based on recommendations of an expert panel.