



COMMERCIAL/CORPORATE

The Corporate Laws (Amendment) Bill, 2026: Reshaping India's Corporate Governance and Compliance Landscape

The Corporate Laws (Amendment) Bill, 2026 marks a significant development in India's corporate regulatory framework. The Bill seeks to amend both the Limited Liability Partnership Act, 2008 and the Companies Act, 2013 with the objective of strengthening governance standards, promoting ease of doing business, encouraging digitisation, and aligning Indian corporate laws with evolving global financial [...]

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The **Corporate Laws (Amendment) Bill, 2026** marks a significant development in India's corporate regulatory framework. The Bill seeks to amend both the Limited Liability Partnership Act, 2008 and the Companies Act, 2013 with the objective of strengthening governance standards, promoting ease of doing business, encouraging digitisation, and aligning Indian corporate laws with evolving global financial practices.

Overview and Policy Objectives

The proposed amendments are particularly important because they focus heavily on **International Financial Services Centres (IFSCs)**, corporate transparency, auditor accountability, digital corporate functioning, and expansion of the powers of the National Financial Reporting Authority (NFRA).

The Bill also introduces several structural changes that are likely to impact listed companies, LLPs, audit firms, startups, investment structures, and financial service entities operating in India.

The amendments collectively demonstrate the Government's broader policy approach of **balancing regulatory oversight with business facilitation**. While several provisions seek to liberalise corporate functioning and reduce procedural burdens, others significantly strengthen the powers of regulators and increase accountability obligations on companies and professionals.

Amendments Relating to LLPs and IFSC Structures

Recognition of Specified IFSC LLPs

One of the most significant features of the Bill is the formal recognition of **"Specified International Financial Services Centre LLPs."** The Bill introduces definitions relating to International Financial Services Centres and permitted foreign currency within the LLP framework. This amendment is aimed at integrating LLP structures operating in IFSCs with globally accepted financial practices and providing greater flexibility for international business operations.

The Bill further mandates that every Specified IFSC LLP must maintain its **registered office within the IFSC** at all times and include the suffix "International Financial Services Centre LLP" as part of its official name. This requirement creates a distinct regulatory identity for LLPs operating within IFSC jurisdictions and ensures clarity regarding their regulatory status.

Foreign Currency Maintenance for IFSC LLPs

Another major amendment allows Specified IFSC LLPs to maintain their partner contributions, books of accounts, financial statements, and records in **permitted foreign currency**.

Existing IFSC LLPs are also permitted to convert their contribution capital from Indian Rupees into foreign currency within the timeline and manner prescribed by the International Financial Services Centres Authority (IFSCA). This is a substantial departure from the traditional rupee-centric regulatory structure and is expected to make India's IFSC ecosystem more attractive to global investors and foreign financial institutions.

Filing Flexibility and Valuation Framework

The Bill also introduces flexibility in **filing obligations for LLPs** regulated by sectoral regulators such as SEBI and IFSCA. The Government is empowered to prescribe separate filing requirements regarding changes in LLP agreements and partner details for such regulated LLPs. This amendment seeks to reduce duplication of compliance and harmonise the LLP regulatory framework with specialised financial sector regulation.

A particularly important development is the insertion of **Section 33A**, which makes the valuation framework under Section 247 of the Companies Act applicable to LLPs. This introduces a formal statutory valuation mechanism for LLP structures, particularly in matters involving partner contributions, assets, liabilities, or restructuring exercises. The amendment is likely to significantly impact investment transactions, mergers, acquisitions, and insolvency-related valuation exercises involving LLPs.

Conversion of Trusts into LLPs

The Bill also introduces a completely new mechanism permitting **specified trusts regulated by SEBI or IFSCA to convert into LLPs**. Detailed provisions have been inserted through the Fifth Schedule covering:

- Conversion procedures

- Investor consent requirements
- Transfer of assets and liabilities
- Continuation of legal proceedings
- Continuation of contracts and employment
- Dissolution of the trust

This amendment could have far-reaching implications for investment funds, pooled investment vehicles, and trust-based financial structures seeking operational flexibility through LLP conversion.

Major Amendments to the Companies Act, 2013

The Bill introduces several transformative amendments to the Companies Act, particularly in relation to IFSC companies, digital governance, shareholder communication, corporate meetings, and financial compliance.

Share Capital in Foreign Currency for IFSC Companies

A major amendment is the insertion of **Section 43A**, which allows companies established in IFSCs to issue and maintain share capital in permitted foreign currency. Such companies may also maintain books of account and financial statements in foreign currency, subject to IFSCA approval.

This amendment reflects the Government's intention to align IFSC-based companies with international financial systems and provide operational flexibility for cross-border business structures.

Mandatory Digital Communication Infrastructure

The Bill further introduces **Section 12A**, which requires prescribed classes of companies to maintain websites, e-mail addresses, and other communication modes in the prescribed manner. Companies will also be required to intimate changes in such communication details to the Registrar.

This amendment reflects the increasing emphasis on digitisation and electronic governance in corporate functioning.

Virtual and Hybrid General Meetings

Another notable reform is the formal recognition of **virtual and hybrid general meetings**. The Bill permits companies to hold Annual General Meetings and Extraordinary General Meetings physically, fully through video conferencing, or in hybrid mode.

However, the Bill also safeguards physical shareholder participation by mandating that every company must hold at least **one physical AGM every three years**. These provisions effectively institutionalise digital meeting practices that became widely prevalent during the COVID-19 pandemic.

Liberalisation of Buy-Back Provisions

The Bill also liberalises buy-back provisions under **Section 68** of the Companies Act. The amendments permit prescribed classes of companies to undertake higher buy-back limits and also permit up to two buy-back offers within one financial year under specified conditions.

These changes are expected to provide companies with greater flexibility in capital restructuring and shareholder value management.

Expansion of NFRA's Powers and Regulatory Oversight

One of the most impactful aspects of the Bill is the extensive strengthening of the powers and operational structure of the **National Financial Reporting Authority**. The Bill formally recognises NFRA as a statutory body corporate with perpetual succession and operational independence.

Enhanced Disciplinary and Enforcement Powers

The amendments significantly expand NFRA's **disciplinary and enforcement powers**. NFRA is now empowered to:

- Issue advisories, warnings, and censures
- Mandate additional professional training
- Refer matters to the Central Government for further action

- Impose enhanced penalties and extend periods of debarment against auditors and audit firms

The Bill further introduces **criminal consequences** for failure to comply with NFRA orders. Individuals and firms that fail to comply with NFRA directions or fail to pay imposed penalties may face imprisonment or substantial financial penalties. These provisions demonstrate the Government's intention to strengthen auditor accountability and financial reporting discipline.

Auditor Registration and Compliance Under Section 132A

A completely new compliance structure is introduced through **Section 132A**, which mandates registration and periodic filings by auditors before NFRA. Auditors and audit firms of specified companies and bodies corporate will be required to furnish prescribed returns, documents, and information to NFRA. Non-compliance may attract heavy monetary penalties extending up to **₹50 lakh**.

The Bill also grants NFRA the authority to issue directions in public interest or in the interest of investors and creditors. This effectively transforms NFRA from a largely supervisory authority into a *proactive financial reporting regulator* with quasi-regulatory powers.

Corporate Governance and Board Accountability

The Bill introduces several important governance-related amendments intended to improve transparency and strengthen **board accountability**.

Strengthened Disclosure Obligations

Under the proposed amendments, Boards of Directors will now be required to:

- Provide explanations or comments on **adverse auditor observations**, qualifications, reservations, or remarks relating to financial transactions and maintenance of accounts
- Disclose instances where recommendations of the Audit Committee were not accepted, along with reasons for such non-acceptance

These amendments significantly strengthen disclosure obligations and increase accountability towards shareholders and regulators.

Tighter Independence Criteria and Auditor Restrictions

The independence criteria applicable to **independent directors** have also been tightened. The amendments expand restrictions relating to financial and professional relationships during the current financial year and extend the scope to holding, subsidiary, and associate companies. These changes are aimed at reducing conflicts of interest and strengthening the integrity of independent directorships.

The Bill also imposes stricter restrictions on auditors and audit firms providing **non-audit services** to audit clients. Importantly, the restriction continues for three years after completion of the auditor's term. This amendment is intended to preserve auditor independence and avoid situations where financial or consulting relationships compromise audit objectivity.

Changes to CSR and Compliance Framework

The Bill revises the applicability threshold for **Corporate Social Responsibility** obligations by increasing the net profit threshold from ₹5 crore to ₹10 crore. This amendment is likely to reduce the compliance burden on smaller companies while continuing to preserve the CSR framework for larger corporates.

The amendment also extends the timeline for transferring unspent CSR amounts from **thirty days to ninety days**. Additionally, the Government is empowered to exempt prescribed classes of companies from CSR obligations altogether. These changes indicate a more flexible and practical approach towards CSR compliance administration.

Shift Towards a Penalty-Based Regime

A recurring theme across the Bill is the replacement of **criminal punishment provisions with monetary penalties** for procedural and technical non-compliances. Several offences under the Companies Act are proposed to be converted into penalty-based defaults instead of criminal offences.

The amendments cover areas such as:

- Prospectus-related defaults
- AGM compliance failures
- Cost accounting violations
- Buy-back contraventions
- Accounting record maintenance defaults

This reflects the Government's continuing policy objective of **decriminalising corporate law offences** that do not involve fraud or public interest concerns. The approach seeks to improve ease of doing business while allowing regulators to focus more effectively on serious governance failures and financial misconduct.

Conclusion

The Corporate Laws (Amendment) Bill, 2026 represents one of the most extensive **corporate law reform** exercises in recent years. The Bill simultaneously advances multiple policy goals, including ease of doing business, digitisation of corporate functioning, strengthening of financial regulation, enhanced governance standards, and development of India's IFSC ecosystem.

The amendments relating to IFSC companies and LLPs clearly demonstrate India's ambition to position itself as a **globally competitive financial services jurisdiction**. At the same time, the significant expansion of NFRA's powers signals a stricter and more regulator-driven approach towards financial reporting and audit oversight.

If enacted in its present form, the Bill will require companies, LLPs, audit firms, directors, compliance professionals, and financial institutions to revisit their internal governance frameworks, compliance systems, and regulatory practices. The proposed changes are likely to substantially reshape India's corporate compliance environment and influence the future direction of corporate governance and financial regulation in the country.

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