

LEGAL UPDATE

Corporate Laws (Amendment) Bill, 2026

10 Key Changes Every
Business Must Know

Introduced in Lok Sabha | 23 March 2026

01

Decriminalisation of Offences

Minor procedural defaults will no longer attract criminal penalties.

Imprisonment and fines replaced with civil monetary penalties for routine compliance lapses.

Directors and officers protected from disproportionate criminal liability for technical defaults.



02

Small Company Thresholds Raised

Paid-up capital limit:

₹10 Cr → ₹20 Cr

Turnover limit:

₹100 Cr → ₹200 Cr

More companies now qualify for
simplified compliance and
fast-track merger routes.



03

CSR Threshold Increased

CSR applicability threshold raised to ₹10 Crore net profit.

Smaller companies get relief from mandatory CSR spending.

Larger companies retain the 2% of average net profit contribution requirement.



04

Digital-First Governance

Companies can serve documents electronically to members.

AGMs allowed via video conferencing or audio-visual means.

Catch: At least one physical meeting mandatory every 3 years.

Self-declarations replace certain affidavits.



05

RSUs & SARs Recognised

Beyond ESOPs, the Bill formally recognises:

- Restricted Stock Units (RSUs)
- Stock Appreciation Rights (SARs)

Companies now have a legal framework for modern employee compensation schemes.



06

NFRA Gets More Teeth

Expanded enforcement powers:

- Issue directions & penalties
- Debar auditors
- Restrict non-audit services for 3 years post-tenure
- Engage domain experts

Auditors must file periodic returns with NFRA.



07

Fast-Track Mergers Expanded

Section 233 broadened to cover:

- Holding-subsubsidiary mergers
- Wider class of small companies
- Startups

Bypasses lengthy NCLT process.

Regional Director approval suffices.

Approval thresholds rationalised.



08

Trust-to-LLP Conversion

Specified trusts can now convert directly into LLPs.

Applies to trusts:

- Under Indian Trusts Act, 1882
- Registered with SEBI or IFSCA
- Engaged in prescribed activities

Simplifies restructuring for PE/VC fund structures.



09

Director Accountability

Boards must assess directors against 'fit and proper' criteria.

Directorship eligibility lost for defaults in related party transactions (Section 188).

Formal resignation process introduced for non-director KMPs.



10

Buyback Flexibility

Two buybacks allowed per financial year (6-month gap).

Relaxation of 25% buyback cap for prescribed classes of companies.

Greater flexibility for capital repatriation during PE/VC exits.



What's Next?

The Bill has been referred to a 31-member Joint Parliamentary Committee (JPC).

JPC report expected by the first week of Monsoon Session.

Stay tuned for updates.

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