Review of Companies Act, 2013

Why in news?

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The Ministry of Corporate Affairs (MCA) has constituted a committee to review the Companies Act, 2013.

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What is the Companies Act?

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- The Companies Act, 2013 entailed the first massive overhaul of India's legal regime to govern businesses.
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- The Act consolidates and amends the law relating to companies.
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- The 2013 Act imposes stiff penalties and, in some cases, prison terms as well, for directors and key management personnel.
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What are the mandates of the committee?

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- The committee is mandated to review the overly harsh provisions of the Companies Act.
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- It has been tasked with checking if certain offences under the Act can be 'de-criminalised'.
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- It will review if any of the violations that can attract imprisonment may instead be punished with monetary fines.
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- It will review the provisions relating to non-compoundable offences which are grave and criminal in nature.
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- Also, it will recommend if any such provisions need to be re-categorised as compoundable offence.
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- It is also mandated to lay down the framework of an in-house adjudicatory mechanism.
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- This will allow penalties to be levied for minor violations, in an automated manner, with minimal discretion available to officials.
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What is the rationale?

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- The high-pitched anti-corruption discourse of the time led to harsh penalties and prison terms in the 2013 law.
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- Several cases of crony capitalism, massive corporate frauds have tainted the credibility of corporate India’s standards.
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- But the harsh provisions have had an impact on investor sentiment and the ease of doing business.
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- Hence a review of the Companies Act is seen as a means to address the above concerns and revive the economy.
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- The changes in the regulatory regime are expected to allow trial courts to rationalise their time.
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- Courts could pay more attention to serious offences rather than get overloaded with cases of minor violations.
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Source: Live Law, The Hindu

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