The Companies (Amendment) Bill, 2019

Why in News?

Lok Sabha has passed the Companies (Amendment) Bill, 2019. The bill seeks to amend the Companies Act of 2013.

What is the issue of dematerialized shares?

- Under the Act, certain classes of public companies can issue shares only in DEMAT form.
- The Bill states this may be prescribed for other classes of unlisted companies as well.

How were the offences re-categorized?

- Under the 2013 Act, there are 81 compoundable offences that carry punishments of a fine and/or prison terms which are heard by courts.
- The Bill makes 16 of these offences civil defaults, where government-appointed adjudicating officers may levy penalties.
- The Bill also amends penalties for some other offences.

What are the changes made to CSR?

- As of now, companies that are required to budget for Corporate Social Responsibility (CSR) must disclose in their annual reports the reasons why they were unable to fully spend these funds.
- Now, any unspent annual CSR funds must be transferred to one of the funds under Schedule 7 of the within 6 months of the financial year.

How are the auditors debarred?

- Under the Act, the National Financial Reporting Authority can debar a member or firm from practicing as a **Chartered Accountant** for 6 months to 10 years in case of proven misconduct.
- The Bill amends this punishment to provide for debarment from appointment as an **auditor or internal auditor** of a company, or **performing a company's valuation**, for the same period.

How are the charges registered?

- Under the Act, companies must register charges on their property within 30 days of the creation of the charge, extendable up to **300 days** with permission from the Registrar of Companies.
- The Bill changes the deadline to **60 days** (extendable by 60 days).

Who is the approving authority?

- Under the Act, change in the period of the financial year for a company associated with a foreign company, has to be approved by the **National Company Law Tribunal** (NCLT).
- Any alteration in the incorporation document of a public company which has the effect of converting it to a private company, too, has to be approved by the NCLT.
- Under the Bill, these powers have been **transferred to the central government.**

How is settlement done?

- Under the 2013 Act, a regional director can compound (settle) offences with a penalty of up to **Rs.5 lakh**
- This ceiling has been raised to **Rs.25 lakh** in the amendment.

How to bar an officer from holding office?

- Under the Act, the central government or certain shareholders can apply to the NCLT for relief against mismanagement of the affairs of the company.
- The Bill states that in such a complaint, the government may make a case against an officer of the company on the ground that he is not fit to hold office in the company, for reasons such as fraud or negligence.
- If the NCLT passes an order against the officer, he will not be eligible to hold office in any company for five years.

Source: The Indian Express

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