

## 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**