1. Brief Introduction

I. The Companies Law Committee was constituted in June 2015 for examining and making recommendations on the issues arising out of implementation of the Companies Act, 2013. The Committee’s report endeavours to address difficulties and challenges expressed by various stakeholders and also to further the government’s objective of improving ease of doing business, encouraging start-ups and the need for harmonizing various laws.

The report is divided into two parts, namely Part I, dealing with the suggested amendments in the Companies Act, 2013, and Part II, proposing changes to Rules issued under the Act.

The Committee’s recommendations would result in changes in 78 sections, and more than one hundred changes in the Act. Approximately 50 amendments to the Rules have also been proposed. The recommendations cover significant areas of the Act, including definitions, raising of capital, accounts and audit, corporate governance, managerial remuneration, companies incorporated outside India and offences/penalties.

II. Key changes proposed are listed below

1. Amendment to the definitions: In relation to definitions of certain terms used in the Act, the Committee has recommended changes/improvements to definitions, viz., Associate Company, Debentures, Financial Year, Holding Company, Interested Director, Key managerial personnel, Net worth, Related Party, Small Company, Subsidiary Company and Turnover. The modifications have been proposed to remove ambiguities and make the definitions more objective.

Definitions of associate company and subsidiary company are proposed to be modified to ensure that ‘equity share capital’ is the basis for deciding holding-subsidiary relationship rather than “both equity and preference share capital”.

Report of Company Law Committee
In focus -‘Ease of doing business’ and Incentives to ‘Start-ups’