

Company Law Committee Report-2019

November 26, 2019

Source: PIB

The law Company Law Committee submitted the report to the Union Minister of Finance and Corporate Affairs

About the Law Committee

- The Company Law Committee **was constituted by the Ministry of Corporate Affairs in September 2019**, inter alia, to further **decriminalize the provisions of the Companies Act, 2013** based on their gravity and to take other concomitant measures to provide further Ease of Living for corporates in the country.
- The committee was chaired by **Shri Injeti Srinivas, Secretary, Ministry of Corporate Affairs**
- The Committee took note of the progress made consequent to the Companies (Amendment) Act, 2019, which had resulted in de-criminalisation of 16 minor procedural/technical lapses under the Companies Act, 2013 into 'civil wrongs', and adopted a principle-based approach to further remove criminality, in case of defaults which can be determined objectively and which, otherwise, lack the element of fraud or do not involve larger public interest.

Some of the recommendations of the committee

- Re-categorising 23 offences out of the 66 remaining compoundable offences under the Act, to be dealt with in the in-house adjudication framework wherein these defaults would be subject to a penalty levied by an adjudicating officer
- Retention of status-quo in case of the non-compoundable

offences.

- Committee has made recommendations targeted towards providing further ease of living for law-abiding corporates, which are as follows:
 1. Power to exclude a certain class of companies from the definition of 'listed company', mainly for the listing of debt securities, in consultation with SEBI
 2. Clarifying the trial court's jurisdiction on the basis of place of commission of an offence under Section 452, for wrongful withholding of property of a company by its officers/employees
 3. Including the provisions of Part IXA (Producer Companies) of the Companies Act, 1956 in the Companies Act, 2013
 4. Proposing benches of the National Company Law Appellate Tribunal
 5. Provisions for allowing payment of adequate remuneration to non-executive directors in case of inadequacy of profits, by aligning the same with the provisions for remuneration to executive directors in such cases
 6. Extending exemptions from the filing of certain resolutions to certain classes of non-banking financial companies under Section 117 in consultation with RBI
 7. Non-levy of penalties for delay in filing the annual returns and financial statements in certain cases

In addition, the committee while deliberating on certain other issues felt that wider consultation would be necessary and **recommended that the following be taken up in due course, at a later stage;**

- Providing for an appeal against the orders of the Regional Directors before the NCLT after due examination
- Exempting certain private placement requirements for Qualified Institutional Placements (QIPs) after due consultation with SEBI
- Reviewing provisions on disqualification of directors

after due consultation and examination

- Reviewing provisions in respect of debarment of audit firms after due consultation and examination