Indian Companies Act

The establishment and operation of corporations or companies in India are governed under the **Companies Act 2013**. Following independence in 1956, the country's corporate enterprises were governed by the first Companies Act. The Bhabha Committee's suggestions served as the foundation for the 1956 Act. Multiple amendments to this act were made, and significant revisions were added in 2013. India was the first nation to make corporate social responsibility (CSR) spending a legal requirement by Section 135 of the 2013 Act.
The following Central government Acts are currently under the administration of the Ministry of Corporate Affairs:

- Companies Act 2013
- 1956 Companies Act
- 2002 Competition Act
- 2016 Insolvency and Bankruptcy Code
- 1949's Chartered Accountant Act

The 1956 Act has been replaced by the Company act 2013.

Highlights of Companies Act 2013

The following list includes the main highlights of the Companies Act 2013:

- For private enterprises, the maximum number of stockholders has been set at 200, up from 50 previously.
- The idea of a one-person business has been developed.
- There are now two tribunals that are required. Which are:
    - Court of Appeals for Company Law
    - CSR for Company Law Tribunal

Difference Between Companies Act 2013 and 1956

There were a number of differences between the companies act 2013 and 1956. The primary difference between both acts was that there were 26 chapters in Act of 1956 and 29 chapters in 2013 Act. Another difference is on the basis of the number of sections in the acts where the 1956 Act had 658 sections and Companies Act 2013 had 470 sections. Also the number of schedules has been reduced in the 2013 act, which was formerly 15 in the 1956 act.

Details	**Companies Act 1956**	**Companies Act 2013**
Parts	13	NA
Chapters	26	29
Section	658	470
Schedules	15	7

Salient Features of Companies Act 2013

The Companies act 2013 first mentioned the idea of "Dormant Companies." Companies which haven't conducted business for two years in a row are considered dormant.
The National Company Law Tribunal was introduced by it. In India, it is a quasi-judicial organisation that decides disputes between businesses. The Company Law Board was replaced. Following are some **salient features of Companies Act 2013**:

- There is also the concept of "Dormant Companies." Dormant businesses are those that have not operated for longer than two years.
- As a result, the National Company Law Tribunal was created.
- It allows for self-regulation of disclosures and openness as opposed to a system relying on government approval.
- Electronic records must be maintained for documents.
- For corporations with net assets of up to Rs. 1 crore, official trustees have the authority to make decisions.
- Merger and amalgamation processes have been streamlined and made more efficient.
- This Act permits cross-border mergers (foreign companies combining with Indian companies or vice versa), but only with the Reserve Bank of India's consent.
- A one-person business has been proposed as an idea.
- This new class of privately owned company may only have one stakeholder and one director. According to the 1956 Act, a private business needed at least two shareholders and executive members.
- Public firms are now required by law to have independent members.
- Women directors are required in a specific class of companies.
- Every company must have at least one director who has lived in India for at least 182 days during the previous calendar year.
- The Act allows for the perpetuation of the articles of incorporation (the application of extrajudicial protections).
- The Act stipulates that board meetings must be called with at least 7 days' notice.
- The responsibilities of a Director have been specified in this Act. The roles of "Key Managerial Personnel" and "Promoter" have also been described.
- There should be a rotation of audit firms and auditors for public enterprises. The Act also forbids auditors from offering the corporation anything other than audits. There is significant criminal and civil liability for an auditor in the event of non-compliance.
- In the event of a financial crisis, the entire procedure of company recovery and liquidation has been made time-limited.
- Companies are required by the Act to create CSR committees and CSR policies. Compulsory CSR reports have been issued for a select few businesses.
- One director should represent small owners in listed businesses.
- During an inquiry, it is possible to search and seize papers without a magistrate's permission.
- Strict guidelines have been established for taking public deposits.
- The National Financial Reporting Authority (NFRAestablishment)'s has been planned for. It establishes and upholds accounting and auditing standards and controls the activities of auditors. India is now qualified to join the International Forum of Independent Audit Regulators (IFIAR) as a result of the NFRA's notification.
- The Act prohibits senior managerial employees and directors from buying calls and putting options on the company's shares if they can be reasonably believed to have knowledge of information that could affect the share price.

Important Keywords related to Indian Companies Act

Indian Company Act 2013 is a purely business-oriented act that has some terminologies. The following list of terms from the Companies Act 2013 that every aspirant should be familiar with:

- **Appellate Tribunal** - Questions about the National Company Law Appellate Tribunal may be submitted to the appellate tribunal.
- **Associate Company** - You might inquire about what constitutes an associate company.
- **Called-Up Capital** - Concerns about the distinction between nominal capital, authorised capital, and called-up capital may be raised.
- **Company Liquidator** - It's crucial to understand what a company liquidator is.
- The distinctions between debt securities, deposits, and contracts are up for discussion.

Company Act Amendment 2019

All the existing acts in the constitution of India have undergone some kind of amendments as required. In March 2020, the Parliament approved this Act. The most recent update to the Companies Act suggests the following changes:

- The proposed law grants the government the power to permit specific public businesses to list securities in other countries (as determined by the government).
- The Bill grants the national government the power to exclude companies that issue specific assets from the definition of "listed company" in consultation with the Securities and Exchange Board of India.
- If business earnings are inadequate or absent in a particular year, the Company Act establishes special mechanisms for paying compensation to its executive directors (including the managing director and other full-time directors).

Unlimited Company in India under the Companies Act

A private company that can be created without shareholding is known as an unlimited corporation. However, the shareholders' members' liability is unlimited. That implies that in the event of the firm's insolvency, the owners would be jointly liable for all debts of the company in any amount. This is in contrast to a limited corporation, where investors only have access to their own assets and the assets of the firm and are not directly liable to creditors.

Provisions of Companies Act 2013: Amendments

During the winter session of Parliament, the Ministry of Corporate Affairs plans to introduce changes to the Companies Act 2013.
Professionals and experts have provided the ministry with comments on these suggestions given by the Company Law Committee, which presented its Recommendations to the Ministry of Finance and Corporate Affairs in April 2022.
As per the main suggestions,

- It is anticipated to raise the bar for corporate governance, particularly in terms of selecting candidates for board positions and managing resignations of top executives and auditors.
- The most important recommendations to the Companies Act 2013 aim to guarantee that independent directors are actually independent and that businesses are more transparent about instances of statutory auditors objecting to the income statement, putting conditions on them, or even ceasing their auditing assignment.

- By altering the law in a number of ways, including making certain types of joint audits necessary, it aims to safeguard the independence of the statutory auditors.
- The government is considering these adjustments in light of some recent company bankruptcies, notably those involving sizable non-bank financial firms with major financial issues.