September 2026

Insights

Two Vectors, One Bill

The Corporate Laws (Amendment) Bill, 2026 lowers the cost of procedural failure and raises the cost of governance failure. An early impression on the Bill as reported by the Joint Committee on 3 August 2026 — what changes, what it means for CFOs and controllers, what it means for global groups operating in India, and how it compares with the UK, the US and Singapore.

Executive Summary

RELIEF TRADED FOR ACCOUNTABILITY

The Bill decriminalizes minor procedural defaults and strengthens enforcement against serious ones. For a standalone small business the net effect is relief. For a listed company, a large group, or the Indian subsidiary of a multinational, the net effect is increased regulatory exposure.

The Corporate Laws (Amendment) Bill, 2026 was introduced in the Lok Sabha on 23 March 2026 and referred to a 31-member Joint Committee. That Committee reported on 3 August 2026, endorsing the Bill with clause-wise modifications and a number of additions of its own — including an inward re-domiciliation regime.

Commentary to date has focused on decriminalization. That characterization is accurate but incomplete. The Bill moves two things in opposite directions: it **lowers the cost of procedural failure and raises the cost of governance failure.**

For a large company the result is therefore **a re-pricing of compliance risk rather than a reduction in it** — fewer criminal exposures, faster civil enforcement, a properly funded regulator, and a Board's report carrying expanded explanation obligations.

The timing is significant in international terms. In January 2026 the United Kingdom abandoned its Audit Reform and Corporate Governance Bill, ending a decade-long effort to replace the FRC with a stronger regulator, on the stated ground of reducing burdens on business. In the same month the SEC approved a PCAOB budget cut of 9.4% and an accounting support fee cut of 18.4%, and installed an entirely new Board. **India is strengthening its audit regulator in the same year in which the two most influential regimes are scaling theirs back** — and doing it inside a Bill whose stated purpose is ease of doing business.

The position in brief

We read the Bill as a trade-off rather than a concession. Government has bought procedural relief for the long tail of Indian companies with a stronger, faster, better-resourced supervisory apparatus over the companies that matter to the capital markets. On balance we think that is the right trade, and a more coherent one than either the UK's retreat or the US's retrenchment.

Two cautions apply. First, the substance lies in the Rules rather than in the Bill: the scope of the non-audit services bar, the class of private companies losing statutory audit, the format of Board explanations and the buy-back classes are all delegated. Second, the enforcement machinery takes effect before the administrative capacity to operate it is in place.

We sincerely hope you find the enclosed publication informative.

We will be happy to participate in any discussions required to clarify our views enclosed in the attached publication. We look forward to hearing from you.

Thank you.
Yours faithfully
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SECTION 1

TWO VECTORS WITHIN A SINGLE BILL

The compliance function does not reduce in size; it shifts to earlier stages of the reporting and governance cycle.

Read on its own, the first vector is deregulation. Around twenty offences across the two Acts convert from criminal fine to civil penalty. Compounding by a Regional Director rises from INR 25 lakh to INR 1 crore. Small-company ceilings have doubled. Virtual and hybrid general meetings have become permanent, subject to a physical-or-hybrid meeting at least once in three years with no more than two years between them.

Read alongside the second vector, the position is different. NFRA incrementally acquires the attributes of a real regulator. The independence perimeter around auditors widens. And personal accountability sharpens: **INR 20 lakh on the managing director, whole-time director in charge of finance, or CFO of a listed company** for books-of-account contraventions where the contravention relates to section 128(1) or 128(5) - otherwise INR 5 lakh for a listed company and INR 50,000 for others, and a lapsed Director with a lapsed Identification Number vacates office rather than merely blocking appointment.

Exhibit 1 —The two vectors, and what they mean for a large Indian company

VECTOR ONE — the cost of procedural failure falls

Perimeter shrinks

- Small-company limits: INR 20cr capital / INR 200cr turnover
- CSR only above INR 10cr net profit
- Audit exemption for prescribed private companies (s.139(12))

Courts step back

- RD compounding limit up to INR 1cr
- Settle before the penalty order (s.454C)
- Appeals on a 5% pre-deposit

Doing business gets easier

- Virtual / hybrid AGMs and EGMs made permanent
- Single NCLT bench per scheme
- Fast-track merger approval falls to 75%
- Rectification, refund and appeal routes added

VECTOR TWO — the cost of governance failure rises

NFRA becomes a regulator

- Body corporate with own Fund and fees
- May direct, inquire and penalise
- Recovery and settlement powers
- May initiate prosecution via s.439
- Bounded regulation-making power

Independence rules widen

- Specified non-audit services barred at prescribed companies
- One-year cooling-off after the audit ends
- Auditor barred from board for 2 years
- Independence must hold continuously

Accountability gets personal

- INR 20L penalty on MD / CFO (listed)
- A lapsed DIN vacates the director's office
- Board explains every audit observation and AC override

THE NET EFFECT

For a small private company, the Bill is a genuine reduction in compliance load.

For a listed or large company, it is a re-pricing — not a reduction — of compliance risk:

Fewer criminal exposures, faster civil enforcement, a named regulator, and a board report that must explain itself.

The compliance function does not get smaller. It moves upstream.

SCOPE OF APPLICATION

Most of the relief in this Bill is unavailable to listed companies, large groups and the Indian subsidiaries of multinationals.

Each of the headline reliefs — small-company status, halved penalties under s.446B, exemption from CSR and exemption from statutory audit — is available only to companies falling within a defined class. Eligibility, rather than the size of the revised thresholds, determines which companies benefit, and one long-standing proviso to section 2(85) governs that eligibility.

The determinative proviso to section 2(85)

Section 2(85) has always included a proviso that excludes from the small-company definition any holding company or subsidiary company, any section 8 company, and any company governed by a special Act. The Bill does not amend this proviso. Therefore raising the s.2(85) ceilings of paid-up share capital to INR 20 crore and turnover to INR 200 crore does not affect a company within a group structure, including **every Indian subsidiary of a multinational, irrespective of its size.**

The same exclusion applies to s.446B, which halves the penalties payable by one person companies, small companies, start-ups and producer companies. A company within a group structure remains liable for the full penalty.

Entity Classification	Applicable Provisions	Non-Applicable Provisions
A listed company	All obligations in the second vector apply: • NFRA's expanded investigation and sanction powers • Widened s.144 bar on non-audit services • Board explanations of auditor remarks and rejected audit committee recommendations (s.134(3)(fa), (pa)) • INR 20 lakh personal exposure for non-maintenance of books as required under s.128(6) • Director's independence criteria must be met throughout the term • Continuing DIN validity as a condition of valid board composition	• Exemption to statutory audit, s.139(12) • Small-company relief (raised threshold) s.2(85) • Halved penalties under s.446B • CSR exemption
An unlisted public company	Most of the second vector applies: • NFRA oversight where the class is notified • Widened s.144 bar on non-audit services • Board explanations of auditor remarks and rejected audit committee recommendations (s.134(3)(fa), (pa)) • Director's independence criteria must be met throughout the term • Continuing DIN validity as a condition of valid board composition • INR5 lakh personal exposure for non-maintenance of books as required under s.128(6)	• Exemption to statutory audit, s.139(12) • Small-company relief (raised threshold) s.2(85) • Halved penalties under s.446B • CSR exemption

Executive Summary
The Situation
The Supervisory Shift
The Governance Shift
The Commercial Shift
Enforcement
The Multinational In India
What Remains Open
What To Do
How Uniqus Can Help

Entity Classification	Applicable Provisions	Non-Applicable Provisions
A standalone private company	The full first vector applies: • Raised small-company ceilings of INR20 crore paid-up capital and INR 200 crore turnover (s.2(85)) • Possible exemption from statutory audit under s.139(12), subject to Rules • CSR obligation only above INR 10 crore threshold • One board meeting a year if also a small or dormant company • Penalties halved under s.446B	Little of the second vector, unless it is a body corporate within NFRA's notified scope
A private company in a group, including MNC subsidiary	Procedural relief applies: • Decriminalization of procedural defaults • Board and general meetings by virtual means • Faster restructuring timelines • A route to realign the financial year with the group • The s.402A data-protection bridge	Small-company status, and with it s.446B relief — because of the s.2(85) proviso. Audit exemption remains open but is conditional on Rules yet to be written
An IFSC company or LLP	IFSC-specific provisions apply: • Share capital, LLP contribution and books of account in foreign currency • Inward re-domiciliation into the IFSC under new Chapter XXIIA • Conversion of a specified trust into an LLP	Nothing is automatic — existing IFSC entities must convert their capital before issuing further capital

THE UNIQUS VIEW

The most common planning error we expect to see over the next twelve months is a group treating this Bill as a compliance-cost reduction and reallocating the budget. For anything inside a group, the arithmetic runs the other way. The reliefs are scoped out; the obligations are not. A finance function that reads the headlines and stands down its company-secretarial spend will discover the mistake at the first adjudication, and by then the recovery machinery in s.454B will be operating.

THE SUPERVISORY SHIFT

SECTION 3

NFRA - EXPANDING OVERSIGHT

The Committee left NFRA's institutional architecture intact while curtailing its discretion.

Eleven new sections turn NFRA from an oversight body performing functions through prescribed divisions into a body corporate that holds property, sues in its own name, funds itself, directs auditors, holds inquiries, imposes penalties and recovers them.

Where India stands today	What the Bill, as reported, does	What it changes for business
NFRA's legal status and funding		
NFRA operates without body-corporate status, functioning through divisions prescribed by the Central Government	• Body corporate with perpetual succession and common seal (s.132(1A)); • a NFRA Fund, credited with government grants, fees levied by NFRA and its own income (s.132B); • Power to levy fees on auditors (s.132-I)	• A regulator funded independently of annual administrative allocation. Institutional permanence generally precedes an increase in enforcement intensity
NFRA can give directions to auditors		
No power to issue binding directions to auditors outside a disciplinary proceeding	Power to direct auditors in the public interest, or in the interest of investors and creditors, but only after an enquiry in the prescribed manner (s.132C)	A supervisory tool that operates before misconduct is proved. Audit committees should expect directions to surface in auditor communications
Stronger investigation and penalty process		
Penalty powers exercisable only on proven professional or other misconduct	Standalone inquiry and adjudication machinery with power to summon and examine on oath; appeal to NCLAT within 45 days (s.132D)	Faster resolution and a defined appellate route. Recovery runs through the s.454B Recovery Officer rather than as arrears of land revenue
NFRA vs. ICAI — who gets to investigate?		
Overlap with ICAI resolved only where NFRA has already commenced an investigation	With the condition removed, NFRA has exclusive jurisdiction over matters in its remit and ICAI cannot run a parallel proceeding at any stage	A single regulator, a single proceeding and a single record
NFRA's power to make regulations		
The Act gives NFRA no express power to make regulations and can be challenged as beyond its powers	• An express power to make regulations, subject to prior public consultation, review every three years and laying before Parliament (ss.132J, 132K); the Committee confined the power to procedural matters, so NFRA cannot use it to set substantive obligations	• NFRA's rules are now on firm legal footing, but limited to process - substantive requirements still come through Central Government rules

The Committee's amendments are as significant as what the Bill granted them. It dropped the six-month prison term for not paying NFRA penalty, as inconsistent with the Bill's decriminalization logic. It limited "professional or other misconduct" to audit matters in NFRA's remit. It sent the manner of investigation, recovery of penalties and levy of fees back to Central Government rules. And it removed the carve-out that would have let NFRA issue regulations without consultation.

Exhibit 2 — What the Bill grants NFRA, and where the Joint Committee drew the line

What the Bill grants

Eleven new sections, ss.132A–132K

1. **Body corporate status** — perpetual succession, common seal, power to hold property and to sue and be sued (s.132(1A))
2. **Its own money** — an NFRA Fund of grants, fees and investment income (s.132B), plus power to levy fees on auditors (s.132-I)
3. **Power to direct auditors** in the public interest, or the interest of investors and creditors (s.132C)
4. **Standalone inquiry and penalty machinery** with power to summon, enforce attendance and examine on oath; appeal to the NCLAT within 45 days (s.132D)
5. **Insulation** — civil courts ousted (s.132E) and good-faith immunity for the Authority and its officers (s.132F)
6. **Regulation-making power** with laying before Parliament, mandatory prior public consultation and triennial review (ss.132J, 132K)

What the Bill grants

Discretion pulled back to Central Government rules

1. **Imprisonment deleted**. Six months for non-payment of an NFRA penalty, removed as inconsistent with the Bill's own decriminalization logic
2. **Misconduct confined to audit matters** within NFRA's jurisdiction, functions or regulatory remit — protecting ICAI's statutory autonomy
3. **Directions require an enquiry first.** s.132C may be exercised only after an enquiry in the prescribed manner — a Committee insertion
4. **Recovery civilized**. "As if it were an arrear of land revenue" replaced by the s.454B Recovery Officer route; arrest and detention deleted
5. **Rules, not regulations.** The manner of investigation, the levy of fees and the terms of NFRA's employees all returned to Central Government rules
6. **No urgency escape hatch**. The proviso allowing NFRA to make regulations without consultation was removed in its entirety

Executive Summary
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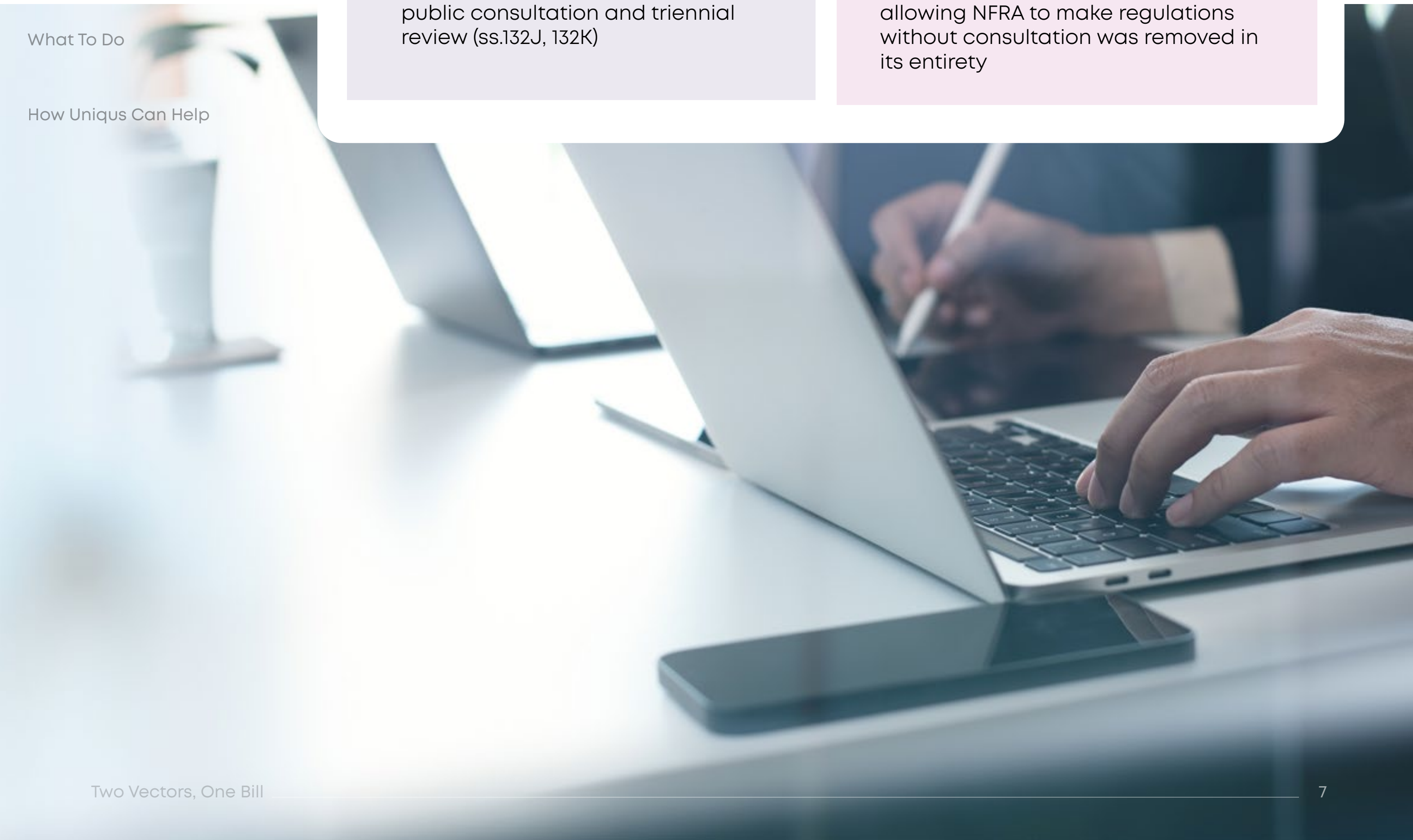
The Multinational In India
What Remains Open
What To Do
How Uniqus Can Help



HOW THIS LOOKS ELSEWHERE

Exhibit 3 — India builds its audit regulator up in the same year its peers step back

The timing is what makes this Bill interesting

India

NFRA

Building up ↑

- The regulatory framework strengthens the NFRA (National Financial Reporting Authority) as a statutory regulator, giving it corporate status, an independent Fund and the ability to levy fees on auditors. Its powers are expanded to issue directions, conduct standalone inquiries, examine individuals on oath, impose penalties and recover dues.
- NFRA proceedings also take precedence over parallel ICAI disciplinary proceedings, establishing a clearer "one regulator, one proceeding, one record" framework.
- Its disciplinary regulations are subject to prior public consultation, triennial review and laid in the parliament.

United Kingdom

FRC / ARGA

Standing down ↓

- In January 2026 the Government confirmed it would not proceed with the Audit Reform and Corporate Governance Bill, abandoning the plan to replace the FRC (Financial Reporting Council) with ARGA (Audit and Reporting Governance Authority) .
- The stated reasons were the priority of reducing administrative burden and a judgment that reform was "less pressing" than before.

United States

PCAOB

Standing down ↓

- On 22 January 2026 the SEC approved a 2026 PCAOB (Public Company Accounting Oversight Board) budget of $362.1 million — down 9.4% — with the accounting support fee down 18.4% to $306.0 million, and chair and member compensation cut by 52% and 42%. A new Board was announced eight days later.

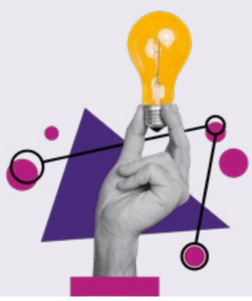
DESIGN NOTE

PCAOB rules require SEC approval before they take effect. India has chosen the parallel discipline of laying NFRA regulations before Parliament, with mandatory public consultation and triennial review — a more transparent gate than the UK ever gave the FRC. Boards should not read the UK's retreat or the US's retrenchment as a signal about India's direction of travel.

THE UNIQUS VIEW

In our view the Committee struck the correct balance. A regulator with statutory permanence, its own money and a clear jurisdictional boundary will serve audit quality better than with wider but contested powers. Narrowing NFRA's jurisdiction makes its authority durable.

The unresolved question is capacity. NFRA now has registration, direction, inquiry, penalty, recovery and prosecution powers across a very large population of body corporates



SECTION 4

AUDITOR INDEPENDENCE — A PROHIBITED-SERVICES REGIME

India has tightened its list of prohibited services, while comparable regimes have moved away from lists altogether.

Since 2013, section 144 has stopped auditors from providing eight named non-audit services to any company. The Bill goes further for a prescribed class of companies still to be defined in the Rules: more services are off-limits, the restriction covers their holding company and subsidiaries, and it continues for a year after the audit ends — a post-term restriction also.

Where India stands today	What the Bill, as reported, does	What it changes for business
Non-audit services provided by auditors		
Eight named non-audit services barred for every company, with no fee cap and no post-term restriction	For a prescribed class, a further bar on prescribed non-audit services to the company, its holding company or subsidiary — the Committee replaced a blanket prohibition with a defined list.	Certainty replaces a sweeping prohibition, but the scope now depends entirely on the Rules, which the Committee has directed MCA to confine to public interest and high-risk entities. "If you are the statutory auditor, you cannot provide these specified services to the audit client. However, for the additional restrictions, we still need to see the Rules issued by MCA, because the exact list will depend on those Rules."
What happens after the auditor leaves?		
No restriction once the auditor's term ends	The bar continues for one year after the auditor completes its term under s.139(2) — reduced by the Committee from the three years originally drafted	Groups planning an auditor transition must map the outgoing firm's advisory pipeline a year ahead, not just at rotation. Example: If Audit Firm A's appointment ends on 31 March 2027, it may still be prohibited from providing certain specified services to that former audit client until 31 March 2028.
"Management services" → "Management functions"		
"Management services" is a prohibited category with contested boundaries	Replaced with "management functions"	A narrower, more defensible line — advisory that informs management is distinguishable from advisory that performs it.

Where India stands today	What the Bill, as reported, does	What it changes for business
Who can become a partner in an audit firm?		
Firms appointed as auditors need a majority of India-practicing partners qualified for appointment	The proposal originally contemplated that every partner of an audit firm would need to be registered with an Indian statutory professional body. That proposal has now been removed. Instead, for a firm to be appointed as a statutory auditor, it needs to have a majority of its India-practicing partners qualified to be appointed as auditors.	No net change to the eligibility test. The Committee removed a proposed restriction rather than creating a new freedom: the existing majority-of-India-practising-partners requirement survives intact. Multi-disciplinary partnerships remain governed by ICAI's own regulations, which this Bill does not touch. Firms should not read the dropped proposal as widening what a statutory auditor may look like.
Can auditors become directors of their clients?		
Auditors and valuers face no bar on joining a client's board	Auditors, secretarial auditors, cost auditors, registered valuers and insolvency professionals barred from becoming directors of a company if they have been associated with the company for two preceding financial years plus the current year (s.164(1)(j))	Board succession planning changes. The former audit partner route to the audit committee closes in short term

HOW THIS LOOKS ELSEWHERE

United States. SOX §201 bars nine service categories; §202 requires audit committee pre-approval of every permitted non-audit service; §206 imposes a one-year cooling-off before audit personnel join a client in a financial reporting oversight role. The gate is the audit committee, not the list.

United Kingdom and EU. The FRC's (Financial Reporting Council) Revised Ethical Standard replaced the prohibited list with a short permitted-services whitelist for public interest entities from March 2020, extended to "other entities of public interest" from December 2020, and retained the EU-derived 70% cap on non-audit fees measured against a three-year average of statutory audit fees.

The gap. India is tightening a list of prohibited services, whereas the UK has moved to a list of permitted services. It provides neither a fee cap nor a statutory requirement for audit committee pre-approval of permitted services.

THE UNIQUS VIEW

The proposed approach of maintaining a list of prohibited non-audit services may provide clarity, but it may not be the most effective way to protect auditor independence. Service offerings continue to evolve, and a fixed list can become outdated or may be avoided by structuring new services differently. The Committee's move from prohibiting "any non-audit services" to prohibiting "such non-audit services as may be prescribed" is therefore a step in the right direction, but additional safeguards may be needed.

REDEFINING THE AUDIT LANDSCAPE -INDIA'S FIRST STATUTORY AUDIT EXEMPTION

Universal statutory audit has been a fixed feature of Indian company law since 1956. The Bill creates the first exception to it, on narrow terms.

Every company incorporated in India, of any size, must today appoint a statutory auditor. Few comparable jurisdictions impose such a requirement. New s.139(12) creates an exception to it, and the Committee narrowed that exception before reporting to the House.

Where India stands today	What the Bill, as reported, does	What it changes for business
Statutory audit exemption		
Statutory audit is mandatory for every company without exception	Prescribed classes of private companies may be exempted — narrowed by the Committee from "companies" generally, so no public company can be exempted	• Some smaller private companies may eventually be able to avoid mandatory statutory audits, subject to conditions prescribed by the Government. • This would be the first meaningful statutory audit exemption regime under Indian company law. • The Government will prescribe conditions such as limits on borrowings, assets, turnover, etc.
What happens to references to "audited financial statements"?		
Statutory references to "audited financial statements" assume an audit always exists	A drafting fix: where a company is exempt, references to "audited" financial statements are read as references to its financial statements, so the rest of the Act still works	Drafted so that the exemption remains workable in practice. Lenders, investors and group reporting requirements will continue to call for assurance
Increase in the ceiling of "small company"		
Small company ceilings: prescribable up to INR 10 crore paid-up capital and INR 100 crore turnover	Ceilings doubled to INR 20 crore and INR 200 crore (s.2(85))	• This raises the cap on what may be prescribed, not the operative threshold — and the holding/ subsidiary proviso still excludes every group company. • The Government gets more flexibility to classify larger companies as "small companies", which could potentially allow more companies to benefit from simplified compliance requirements.
Who can be an internal auditor?		
Internal auditors must be chartered accountants, cost accountants or such other professional as the Board decides	Company secretaries added expressly (s.138, new Clause 43A)	The Bill expands the pool of professionals who can perform internal audit, but competence and suitability will become more important when selecting the internal auditor.

Where India stands today	What the Bill, as reported, does	What it changes for business
Directors' disclosure of interest		
A director discloses his interests, including shareholding, on first attending the Board, again at the first Board meeting of every financial year, and whenever they change (s.184(1))	A director discloses his interests, including shareholding, on first attending the Board, again at the first Board meeting of every financial year, and whenever they change (s.184(1))	A director discloses his interests, including shareholding, on first attending the Board, again at the first Board meeting of every financial year, and whenever they change (s.184(1))

HOW THIS LOOKS ELSEWHERE

United Kingdom. From financial years beginning on or after 6 April 2025, a company qualifies for audit exemption by meeting two of three limits — annual turnover £15 million, assets total £7.5 million, 50 employees - the first increase since 2016.

Singapore. The "small company" audit exemption has applied since 2015 on a two-of-three test: revenue and total assets each not exceeding S$10 million, and not more than 50 employees.

The point. Indian position remains conservative. It adopts, approximately a decade later, a position its peer jurisdictions already reached, and does so on more restrictive terms, since public companies are excluded altogether.

THE UNIQUS VIEW

We support the proposed audit exemption for private companies, but it should not be viewed simply as a cost-saving measure.

- Audit exemption does not mean assurance is no longer needed. Lenders, investors, acquirers and group auditors may still require financial assurance.
- The exemption could create a gap between what the law requires and what stakeholders expect.
- Boards of exempt companies should therefore decide what level of assurance they want to retain, rather than assuming that no statutory audit means no assurance is required.

The exemption may reduce regulatory burden, but companies should continue to assess their assurance needs based on lenders, investors, transactions and group reporting requirements.

Section 6

EXPANDED BOARD REPORTING AND ACCOUNTABILITY

The Committee has asked MCA to consider prescribing Board-level oversight and verification of material AI-generated financial information - a direction we have not seen expressed in comparable regimes..

The Bill significantly increases the Board's responsibility for financial reporting and governance. The Board's Report would move beyond a compliance document and require management to explain auditor observations, Board overrides and potentially the use of AI in financial reporting.

Where India stands today	What the Bill, as reported, does	What it changes for business
Auditor observations		
The Board explains qualifications and adverse remarks in the auditor's report	The Board must explain every observation or comment of the auditors on financial transactions having an adverse effect, and any qualification, reservation or adverse remark on maintenance of accounts (s.134(3)(fa))	• Auditor observations become a Board-level disclosure and accountability matter, rather than simply an auditor's issue. • The Board will have to explain what the auditor found and how the company addressed it. • The Committee has directed MCA to define its scope in the Rules and to align the terminology with the auditing standards
Audit Committee recommendations		
Companies disclose the composition of the Audit Committee, but there is generally no specific requirement to explain when the Board rejects an Audit Committee recommendation.	Statutory disclosure of audit committee composition and reasons wherever the Board did not accept a committee recommendation (s.134(3)(pa))	• An override is now a disclosable event. Committee minutes and the quality of dissent recording move from administrative record-keeping to evidence. • In other words, if the Board disagrees with the Audit Committee, it will need to explain why.
AI and automated financial reporting		
There is no specific requirement for the Board to explain or certify the use of AI or automated tools in financial reporting.	The Committee directs that the Rules prescribe Board-level oversight, verification and accountability for material AI-driven or digitally generated financial information, and consider certification	• Use of AI in areas such as financial close, reconciliations, estimates or preparation of disclosures could become a formal Board-level internal control matter. • If AI is materially involved in preparing financial information, the Board may need to understand it, oversee it and demonstrate that its output has been properly verified.

Where India stands today	What the Bill, as reported, does	What it changes for business
Independent Director independence		
An independent director declares compliance with the independence criteria on appointment and then once a year	• Independence must be satisfied at all times during the term, not just when declared (s.149(6A)); • The cooling-off period now looks at prior association with the company's holding, subsidiary and associate companies, not the company alone; and time already served as an additional director counts towards the independent-director tenure limit	• Independence is now monitored continuously rather than declared annually — companies must keep an up-to-date view of each independent director's relationships across the group, because a change can disqualify them mid-term • Independence is no longer a once-a-year declaration; it becomes an ongoing requirement.
DIN Compliance		
A lapsed or unverified DIN blocks appointment	A deactivated DIN means the director cannot continue to function; cancellation vacates the office (s.152(3), 154)	• An unremedied administrative lapse can now invalidate board composition and, with it, the validity of board acts. • Companies will need to ensure directors' DINs remain active and compliant, because an unresolved DIN issue could have wider governance consequences.
Change to CSR Requirements		
• CSR triggered at annual net profit of INR 5 crore; • Unspent amounts to be transferred within 30 days of year end; • CSR committee required above INR 50 lakh of CSR spend	• The net profit trigger doubles to INR 10 crore (fixed in the statute after the Committee removed the power to change it by Rules); • Both unspent-amount transfers to the Unspent CSR Account and to a Schedule VII fund get 90 days instead of the current deadlines; • The committee threshold rises to INR 1 crore of CSR spend; and • A negative list of recipients that CSR money cannot go to is introduced (s.135(8A))	• Fewer companies will come within the CSR requirements. • Companies that do have CSR obligations get more time to deal with unspent amounts. • Companies will need to screen CSR implementing partners/recipients against the prohibited list before releasing funds.

HOW THIS LOOKS ELSEWHERE

United Kingdom. The 2024 Corporate Governance Code introduced a board declaration on the effectiveness of material internal controls for financial years beginning on or after 1 January 2026 — a declaration, on a comply-or-explain basis, with no auditor opinion behind it.

United States. SOX 404 requires management's assessment and, for accelerated filers, an auditor attestation on internal control over financial reporting.

Where India already sits. Section 143(3)(i) has required an auditor's opinion on internal financial controls over financial reporting since 2015. On controls assurance India is closer to the US than to the UK — and the Bill now layers a narrative explanation duty on top of an existing attestation regime.

The international comparison reinforces the broader direction of the Bill: moving from auditor-focused assurance toward greater Board-level accountability for financial reporting, internal controls and governance decisions.

The AI-related recommendation takes this a step further by potentially extending that accountability to the use of technology in the financial reporting process.

THE UNIQUS VIEW

The proposed AI oversight requirement is one of the more forward-looking elements of the Bill. While the detailed requirements will depend on the Rules, the Joint Committee's recommendation signals a clear direction toward Board-level accountability for material AI-generated financial information.

Finance functions should therefore start preparing now. Any use of AI or automated tools in financial close, reconciliations, estimates or disclosure preparation should be supported by three basic controls:

- What did the AI/tool do?
- Who reviewed and validated the output?
- What evidence exists of that review?

These are fundamentally internal control questions and can be addressed today within existing COSO and Section 143(3)(i) frameworks, even before the detailed Rules are issued.

Section 7

CAPITAL, CURRENCY AND CORPORATE MOBILITY

The structural changes in the Bill that could reshape capital, investment and cross-border transaction structures.

Significant business-focused changes in the Bill with the aim to make GIFT City (International Financial Services Centres (IFSC)) more attractive for global businesses and investment funds, make corporate restructurings easier, and allow certain foreign companies to relocate to India without having to recreate their corporate structure from scratch.

Where India stands today	What the Bill, as reported, does	What it changes for business
Foreign Currency Share Capital for IFSC Companies		

• Indian companies generally issue share capital and maintain statutory records in Indian Rupees.
• There is no framework allowing companies to issue share capital and maintain accounts in a foreign currency.
	• Companies established in the IFSC (GIFT City) can:
	  • Issue and maintain share capital in a permitted foreign currency.
	  • Maintain books, records and financial statements in that foreign currency.
	  • Continue paying statutory fees, penalties and fines in Indian Rupees.(s.43A).
	• Parallel provisions for IFSC LLPs
		• Removes the structural reason global funds and platforms chose Singapore or the DIFC over GIFT City. Existing IFSC entities must convert before issuing further capital.
		• Global funds and international businesses can now operate in GIFT City using foreign currencies without converting everything into INR.

Re-domiciliation of Foreign Companies into India		
A foreign company wishing to move to India must incorporate afresh and transfer assets	• New Chapter XXIIA (ss.393B–393G) permits transfer of registration into India — restricted to the IFSC, with an (International Financial Services Centres Authority (IFSCA) no-objection, a solvency declaration, and • a condition that the home jurisdiction's law authorizes the outward transfer	• Relocation to India without asset transfers or loss of corporate history. • On registration, ss.368–370 apply mutatis mutandis — property vests and pending proceedings continue by statute. • Tax and stamp duty remain outside the Act
Trust-to-LLP Conversion for Investment Funds		
Alternative Investment Funds (AIFs) structured as trusts cannot convert into LLPs.	Specified trusts registered with SEBI or IFSCA may convert into LLPs (new Fifth Schedule) on three-fourths investor consent; periodic rather than event-based filing for regulated LLPs (s.57A)	• LLPs become a much more practical structure for investment funds. • Many fund managers may prefer LLPs because of their flexibility and governance structure.

Where India stands today	What the Bill, as reported, does	What it changes for business
Faster Mergers and Restructurings		

• Fast-track mergers require:
  ◦ Approval from 90% of shareholders.
  ◦ Approval from 90% of creditors.
• A small minority can effectively block a transaction.
	• Approval thresholds are reduced to:
	  ◦ 75% of shareholders voting.
	  ◦ 75% of creditors voting.
	• Dissenting shareholders receive a right to exit at fair value.
		• Transactions become easier to complete because a small group of shareholders can no longer block a merger.
		• At the same time, minority shareholders receive protection through a fair-value exit mechanism.
		• Mergers become faster, while dissenting shareholders get a clearer exit option.

Legacy Treasury Shares		

Pre-2013 schemes left some transferee companies holding their own shares through trusts, with no exit	• Three years to deal with or dispose of them; failing which they are cancelled and extinguished as a deemed capital reduction to which s.66 does not apply (s.233A), with an uncapped daily penalty	• The Bill forces companies to clean up old shareholding arrangements that are no longer permitted. Affected companies will need to review old group structures and assess the impact on:
		  ◦ Share capital
		  ◦ Earnings per share (EPS)
		  ◦ Ownership structures

The remainder of IFSC package

Alongside the headline changes, the Bill introduces several practical changes for IFSC LLPs and investment funds that will determine how easily the new framework can be used. These changes are intended to make the IFSC/LLP framework more practical, flexible and internationally aligned, particularly for investment funds and other financial-services businesses.:

- **Foreign-currency accounting for IFSC LLPs:** Partner contributions must be accounted for and disclosed in a permitted foreign currency, and books, financial statements and records follow the same currency — with IFSCA able to permit rupee books where flexibility is required. Filings may be made in the permitted foreign currency; statutory fees, fines and penalties stay in rupees.
- **Existing entities must transition, not just new ones.** IFSC LLPs formed before commencement must convert partners' contributions from rupees to a permitted foreign currency within the period and manner IFSCA specifies, in consultation with the Central Government — the mirror of the rule that an existing IFSC company must convert its capital before issuing further capital. Conversion mechanics, and the Ind AS 21 functional-currency and translation consequences, should be planned in advance rather than addressed on implementation.
- **Naming requirements apply.** Every Specified IFSC LLP must use the suffix "International Financial Services Centre LLP" — the Committee allowed the short form "IFSC LLP" as an alternative after stakeholders pointed out the practical burden of a five-word suffix.
- **Lighter reporting, subject to one exception.** SEBI- and IFSCA-regulated LLPs move from event-based to annual reporting of partner changes — but the Committee confirmed that changes in designated partners remain a 30-day filing under s.9. Fund administrators should note that the move to annual reporting does not extend to changes in designated partners.
- **AIFs are the intended user.** The Committee expressly recommended that MCA include Category-I and Category-II Alternative Investment Funds within the prescribed class of LLPs when the Rules are framed — read together with the trust-to-LLP conversion schedule, this is a deliberate build-out of the LLP as India's fund vehicle.

The home-jurisdiction condition on re-domiciliation

Section 393B carries a condition of greater practical significance than the IFSC restriction: the migrating company must be authorized to transfer out by the law of its home jurisdiction. That condition determines which structures can use the route. Cayman, the BVI, Mauritius, Delaware and the DIFC and ADGM all permit outward continuation — structures there can use Chapter XXIIA. Singapore does not permit outward re-domiciliation at all. The single most common offshore holding jurisdiction for Indian founders therefore falls outside the reach of this chapter; a Singapore holding company must still use a merger, share swap or NCLT inbound-merger route to relocate to India.

The Committee saw the larger gap too: it recommended that the Central Government notify a comprehensive framework covering taxation, capital gains, stamp duty, transfer and vesting, and continuation of rights in coordination with the relevant ministries and regulators. Until that framework exists, Chapter XXIIA provides the corporate-law mechanism without the corresponding tax treatment — usable, but not yet capable of being priced.

HOW THIS LOOKS ELSEWHERE

Singapore. Inward re-domiciliation has been available since 11 October 2017 under what is now Part 10A of the Companies Act 1967, across the whole jurisdiction, subject to a two-of-three size test. Singapore permits no outward re-domiciliation. India's route is narrower — IFSC only — but the mechanism is identical.

United Kingdom. A scheme of arrangement needs 75% in value and a majority in number, with court sanction as the fairness safeguard. India is converging on the same threshold, but replaces the court's fairness role with a statutory buy-out right for dissenting shareholders in the fast-track route.

Delaware. Appraisal rights under DGCL §262 have long given dissenting stockholders a judicially determined fair value. India's new fast-track exit is closer to this model than to anything previously in the Companies Act.

Treasury shares. The UK has permitted them since 2003 and Singapore permits up to 10%. India does not permit them, which is why s.233A extinguishes the legacy holdings rather than legitimize them.

THE UNIQUS VIEW

In our view the IFSC package is one of the most commercially significant parts of the Bill. Allowing foreign-currency share capital and accounting removes a key structural disadvantage for GIFT City, while the proposed re-domiciliation framework could provide Indian businesses with a simpler route to bring offshore structures into India.

However, the benefit is currently limited because re-domiciliation is available only for IFSC entities. This makes the reform primarily a financial-services measure rather than a broader corporate-mobility framework.

- **Opportunity:** Consider expanding re-domiciliation beyond IFSC in the future to support wider corporate mobility and make India more attractive for global businesses.
- **Competitive positioning:** GIFT City now offers an inward re-domiciliation route, while Singapore does not permit outward re-domiciliation.
- **What to watch:** Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) allow movement in both directions, making them important jurisdictions to monitor as India develops its corporate-mobility framework.

Chapter XXIIA is a significant first step, but its long-term impact will depend on whether India eventually expands re-domiciliation beyond IFSC and addresses the related tax, stamp duty and regulatory implications

ENFORCEMENT

Section 8

ENFORCEMENT WITHOUT COURTS

From Criminal Prosecution to Stronger Civil Enforcement.

Decriminalization is effective only if civil penalties are collected. The Bill **reduces criminal consequences** for certain defaults but **strengthens** the Government's ability **to impose and recover financial penalties**. In other words, the approach moves from "prosecution" to "penalty and recovery."

Where India stands today	What the Bill, as reported, does	What it changes for business
Stronger recovery of penalties		

• There is no dedicated mechanism specifically designed to recover unpaid company-law penalties.	• A Recovery Officer can recover unpaid penalties using powers similar to income-tax recovery, including:
	  • Attaching bank accounts
	  • Attaching and selling property
	  • Appointing a receiver
	• The Committee has removed the proposed power of arrest and detention.
		• A civil penalty ceases to be a nominal outcome. NFRA officers may be authorized as Recovery Officers.
		• Penalties will become much more meaningful because the Government has a clear mechanism to actually collect them.

Settlement before a penalty is imposed		
No mechanism to settle a contravention before an order is passed	• A settlement framework before the penalty order (s.454C), with a Specified Authority — extended by the Committee to cover NFRA-imposed penalties. • No appeal lies against a settlement order	• Companies can potentially resolve disputes without going through a lengthy enforcement process. • There is now a potential faster and more commercially practical route to resolve violations.
5% deposit for appealing a penalty		
No pre-deposit requirement to appeal a penalty	• 5% of the penalty must be deposited before an appeal is entertained — reduced by the Committee from the 10% originally drafted (s.454D)	• Filters unmeritorious appeals while remaining affordable for smaller companies. The deposit should be reflected in provisioning
Higher limits for compounding and fraud		
• Regional Director may compound offences up to a INR 25 lakh maximum fine; fraud threshold at INR 10 lakh	• Compounding limit increases to INR 1 crore. • The threshold for certain conduct to qualify as fraud increases from INR 10 lakh to INR 25 lakh. • The maximum penalty for lower-tier fraud also increases to INR 1 crore.	• Substantially fewer matters reach the NCLT, and a higher bar before conduct is characterized as fraud

Where India stands today	What the Bill, as reported, does	What it changes for business
Easier correction of filings and refunds		
• **Rectification**: no statutory route to correct a clerical error in a filing. • **Refunds:** no route to reclaim a failed payment. • **Electronic records**: no express link between company law filings and data protection law	• **Rectification:** Filings can be corrected within one year, on professional certification (s.398A). • **Refunds:** a statutory right to a refund of fees (s.403A). • **Electronic records:** the DPDP Act, 2023 is applied expressly to electronic records under the Act (s.402A)	• Routine compliance becomes more practical, with clearer mechanisms to correct mistakes, recover failed payments and deal with electronic records.

Where does the financial impact land

Decriminalization is often read as leniency. On the amounts relevant to a finance function, several exposures increase and several shift from the company to a named individual.

Exposure	Today	Under the Bill, as reported
Books of account — s.128(6), on the MD, WTD (finance) or CFO personally	Fine of INR 50,000 to INR 5 lakh	Penalty of INR 5 lakh (listed) or INR 50,000 (other) — rising to INR 20 lakh and INR 5 lakh where the contravention relates to s.128(1) or (5)
Buy-back contraventions — s.68(11)	Fine of INR 1 lakh to INR 3 lakh on the company and on each officer in default	Penalty of INR 25 lakh (listed) or INR 2 lakh (others); officer in default INR 5 lakh (listed) or INR 2 lakh (others)
Prospectus contraventions — s.26(9)	Fine of INR 50,000 to INR 3 lakh	Fixed penalty of INR 2 lakh
Director's duties — s.166	Fine of INR 1 lakh to INR 5 lakh	Penalty of INR 5 lakh (listed) or INR 2 lakh (others), with criminal liability retained only for undue gain under s.166(5), plus a court power to order disgorgement
Failure to comply with an NFRA order or pay an NFRA penalty — s.132(4A)	No equivalent provision	Fine of INR 1 lakh to INR 5 lakh (individual) or INR 5 lakh to INR 25 lakh (firm), plus further debarment — imprisonment deleted by the Committee
Legacy treasury shares not cancelled — s.233A(3)	No equivalent provision	INR 10,000 per day, uncapped, on the company and every officer in default

HOW THIS LOOKS ELSEWHERE

United States. The SEC has long combined administrative proceedings, civil money penalties and settlement without admission — the model India is now approximating for company-law defaults.

United Kingdom. Companies House gained civil financial penalties under the Economic Crime and Corporate Transparency Act 2023, moving the registrar from a filing repository to an enforcement body.

India-Key difference. India's proposed settlement mechanism is more similar to a tax settlement process than the US SEC model. Settlements would generally be final, without appeal and without admission of liability, and there is currently no requirement to publicly disclose settlement outcomes.

THE UNIQUS VIEW

For CFOs and General Counsel, this is one of the most operationally relevant parts of the Bill. The key shift is from criminal prosecution to more certain financial enforcement. While decriminalization reduces the risk of prosecution for certain defaults, stronger recovery mechanisms and higher penalties mean that companies cannot treat compliance breaches lightly.

We would recommend that settlement orders be published in an anonymized form. This would give companies and advisers greater visibility into how penalties are being applied and help create a more predictable compliance environment. Without such transparency, the framework may achieve faster resolution but lose some of its deterrent and guidance value.

Section 9

CONSIDERATIONS SPECIFIC TO GLOBAL GROUPS

A multinational's Indian subsidiary is subject to most of the Bill's obligations while qualifying for few of its reliefs. Ten of the changes create exposure that global groups frequently under-manage.

Most commentary on this Bill is written for Indian corporates. A US, European, Japanese or Gulf group with Indian entities reads it differently, because the reliefs are limited by group status while the obligations apply irrespective of it.

1

The headline relief does not extend to group entities

The proviso to s.2(85) excludes any holding or subsidiary company from small-company status. Doubling the ceilings to INR 20 crore and INR 200 crore therefore has no effect for an MNC's Indian entity, irrespective of its size. The same exclusion carries into s.446B, so **penalties are not reduced** for group companies. Where the Bill grants relief by reference to size, a group entity should assume that it does not qualify..

2

Books-of-account location now carries personal penalty exposure

Section 128(6) today carries a fine of INR 50,000 to INR 5 lakh on the managing director, whole-time director in charge of finance or CFO. The Bill converts it to a penalty and — critically — **sets a higher tier of INR 20 lakh for listed companies and INR 5 lakh for others where the contravention relates to s.128(1) or s.128(5).**

Those two sub-sections are precisely where global groups are exposed. Section 128(1) governs where and how books are kept, including in electronic mode; the Rules made under it require that books maintained electronically be **backed up on servers physically located in India, on a daily basis,** including where the service provider is situated outside India. Section 128(5) governs the eight-year preservation obligation.

A group running a single global ERP instance hosted abroad, with an offshore shared service centre performing Indian record-keeping, falls directly within this provision. **The exposure is on a named individual, not the company** — usually the India finance head or a regional CFO who may not be resident in India.

3

A lapsed DIN can invalidate board composition

Today an inactive Director Identification Number blocks appointment. Under s.152(3) read with new s.154, a director whose DIN is **deactivated cannot continue to function,** and cancellation **vacates the office.** New s.154(2) also creates a standing obligation to submit verification information at prescribed intervals.

Foreign directors on Indian subsidiary boards are the population most likely to miss annual DIN verification, because the filing sits with a local company secretary and the director never sees it. **A missed verification can now put board composition, quorum and the validity of board acts in question** — including approvals of financial statements. In our experience this is the most under-managed administrative risk in Indian subsidiary governance, and the Bill converts it from an inconvenience into a legal defect.

4

The Indian advisory footprint of the global auditor narrows

Section 144 already reaches services rendered “directly or indirectly”, and the Explanation extends that to the audit firm’s parent, subsidiary and associate entities and to any entity using its brand. The new prescribed-services layer, plus the **one-year post-term restriction,** therefore constrains what the Indian member firm of a global network can do for an Indian entity whose group auditor sits in that network — including after an India-level auditor change.

Groups that centralize advisory procurement globally should map this at network level, not at Indian-entity level, and should sequence auditor transitions with the one-year tail in mind.

5

The audit exemption is conditional and of limited value to group entities

Most MNC India entities are private limited companies, so s.139(12) could in principle reach them, subject to conditions the Rules have yet to set. Planning on the basis of that exemption would nonetheless be premature. Group audit scoping under ISA 600 (Revised), SOX 404 component testing, lender covenants and transfer pricing documentation all assume audited financials. **The construction rule reads statutory references “as if there is no requirement for audit” — the construction rule does not bind the group auditor, lenders or an acquirer.**

6

A statutory route now exists for financial-year realignment

The existing first proviso to s.2(41) lets a holding, subsidiary or associate of a foreign-incorporated company apply to the Central Government for a different financial year for consolidation purposes. The Bill adds a further proviso permitting an application to **realign the financial year to the period ending 31 March of the following year —** and opens that route beyond foreign-parent consolidation to any company or body corporate on **commercial considerations.**

For groups that have been maintaining two sets of period-end numbers, this is the first clear statutory mechanism for transition. The Joint Committee expressly described it as benefiting Indian companies with foreign parents and global joint ventures.

7

Board composition mechanics tighten

Three changes are significant at group level. Additional directors and casual-vacancy appointees may now hold office only until the next general meeting or **three months,** whichever is earlier — expatriate executives appointed between AGMs will need faster regularization. A person whose appointment was not approved in a general meeting cannot be re-appointed by the Board without member approval. And the independent-director cooling-off now extends to the **holding, subsidiary and associate** companies, so group-wide relationships must be tracked, not just relationships with the Indian entity.

8

Confirm which holding jurisdictions can use the new route

For groups holding Indian operations through an intermediate offshore entity, Chapter XXIIA’s home-law condition determines eligibility: **Cayman, BVI, Mauritius, Delaware, DIFC and ADGM structures can migrate into the IFSC; Singapore structures cannot,** because Singapore law does not authorize outward transfer. Regional treasury and holding reviews that assumed “re-domiciliation is now available” should be re-run jurisdiction by jurisdiction — and any migration model should hold the tax and stamp-duty line items open until the comprehensive framework the Committee has asked for is notified.

9

Entity rationalization becomes materially less costly

Multi-entity Indian footprints built up through acquisitions are expensive to simplify. A **single NCLT bench** at the transferee's jurisdiction removes the multi-state filing problem; the **fast-track threshold at 75%** of value present and voting makes s.233 usable where 90% of total shares was not achievable; and the Committee has pressed for a 60-day deemed-approval timeline at the Registrar or C-PACE. Holding-to-wholly-owned-subsidiary mergers were already inside the fast-track route — the change is that other combinations now become available.

10

A statutory website and email obligation, with scope left to Rules

Clause 21 inserts a section 12A requiring a prescribed class of companies to maintain a website, an email address and other communication modes in the manner prescribed, and to intimate those particulars and any change to the Registrar. The Joint Committee endorsed the Ministry's limited-class of companies approach but doubted that every other company should escape even a basic email requirement; it accepted the clause unmodified, leaving scope to the Rules. **For a wholly-owned Indian subsidiary the exposure is the particulars,** not the website: many run on the parent's domain and mailbox, so a rebrand decided abroad can become a Registrar filing trigger.

Ten checks for a global group's Indian entities

1. **DIN status for every director, including non-residents.** Confirm verification filings are current and assign an owner who is not the director.
2. **Where the books physically sit.** Confirm daily backup on servers in India for electronically maintained books, including where the provider or shared service centre is offshore.
3. **Who is named under s.128(6).** Identify the individual carrying personal exposure and confirm they know it.
4. **Network-level non-audit services map.** Track advisory provided by any entity in the group auditor's network, not only by the Indian audit firm.
5. **Auditor transition tail.** Model the one-year post-term restriction into any planned change of Indian auditor.
6. **Assurance strategy if audit exemption arrives.** Decide now what the group auditor, lenders and tax authorities will require regardless of Indian statute.
7. **Financial-year alignment.** Assess whether the new s.2(41) route removes a dual-reporting burden.
8. **Additional-director population.** Regularize expatriate appointments within the new three-month window.
9. **Entity rationalization shortlist.** Re-run the merger case for dormant and duplicative Indian entities under the 75% threshold and single-bench route.
10. **Website and email of record.** Indian entity to have communication particulars of its own rather than the parent's, and assign an owner for intimating changes to the Registrar.

HOW THIS LOOKS ELSEWHERE

The comparison worth drawing. In the US and UK, subsidiary governance is largely a group-policy matter; statute rarely attaches personal consequences to a foreign director of a local entity. India does — through DIN, through s.128(6) and through s.166. Group governance frameworks written for a US or European parent frequently under-weight this.

Where India is now more demanding. An Indian subsidiary of a global group already faces an auditor opinion on internal financial controls under s.143(3)(i) — an obligation with no UK equivalent and, for non-accelerated filers, no US equivalent either. The Bill adds a Board explanation duty on top.

THE UNIQUS VIEW

Global groups consistently treat Indian subsidiary compliance as an administrative function delegated to a local secretarial provider. This Bill makes that allocation untenable, because the consequences now attach to individuals and can invalidate corporate acts rather than merely attracting a fine. We recommend a one-time health check across the Indian entities covering:

- DIN status and director verification
- Location and backup of books of account
- The individuals responsible under s.128(6)
- Non-audit services provided across the global audit network
- Tenure and regularization of additional directors

This exercise can help identify and address potential compliance gaps before they result in financial penalties or questions around the validity of corporate actions. In our experience the exercise takes weeks rather than months, and in most groups it identifies at least one issue requiring correction.

Section 10

THE WATCH LIST

The Committee report sets the direction, but the final rules are still being written.

The Joint Committee report is not the final law. It was adopted by the Committee at its 25th sitting on 31 July 2026 and presented to both Houses on 3 August 2026, but Parliament can still make changes, and the detailed Rules have not yet been written. Therefore, the following areas need to be monitored

Open item	Why it matters	What we expect
Scope of the s.144 non-audit services bar	• The Rules will determine which companies and which services are restricted. • This could significantly affect how audit firms provide advisory services.	• Likely to focus on listed and other public-interest/high-risk entities, with a clearly defined list of restricted services.
Conditions for the s.139(12) audit exemption	• The Rules will determine which private companies can avoid statutory audit and whether the exemption is practically useful and how "audited" is read for exempted companies	• Likely to have conditions around borrowings, assets and other parameters, making the initial exemption relatively narrow.
Format of Board explanations under s.134	• The Bill requires the Board to respond to certain auditor observations. Without clear limits, this could create a large additional reporting burden.	• Rules are expected to clarify what matters require a Board response and distinguish significant issues from routine audit observations.
AI-related financial information	• The Committee wants Board oversight and verification of AI-generated financial information, but the exact requirements are not yet defined.	• We expect a principles-based requirement initially rather than a detailed AI certification regime.
Fee cap and pre-approval for permitted non-audit services	• These are important safeguards for auditor independence, but the Bill does not currently introduce them.	• Likely to be considered separately in future amendments or through SEBI requirements for listed companies.
Treasury shares during the disposal window	• The Bill requires certain legacy treasury shares to be dealt with, but the Rules need to clarify how they can be held or sold during the transition period.	• Restrictions on voting/ dividend rights and potentially sale through stock exchanges for listed companies.
Publication of settlement outcomes	• Settlements may be final and without admission, but there is currently no requirement to publish them. This makes it difficult for companies to understand how penalties are being applied.	• We believe anonymized publication of settlements should be introduced.

Open item	Why it matters	What we expect
NCLT capacity and inter-bench transfer	• Faster merger processes will work only if NCLT benches have sufficient capacity.	• More benches and members are likely, while rules around transfer of cases between benches may depend on the Supreme Court's decision.
Tax and stamp duty on re-domiciliation	• The Bill provides the corporate-law mechanism for moving a company into an IFSC, but does not yet clarify the tax, capital gains or stamp-duty consequences.	• A separate Government framework covering tax, stamp duty and related matters is expected. Until then, businesses may find it difficult to determine the total cost of a migration.
Mechanics of the dissenting-shareholder exit	• Shareholders who disagree with certain mergers may get a fair-value exit right, but the process for valuation and payment is not yet clear.	• Rules are expected to provide a valuation mechanism, potentially using the registered valuer framework.

What Happens Next

With the Joint Committee's Report tabled, the Bill as reported by the Committee now goes back to Parliament for consideration and passage, incorporating the Committee's recommended amendments unless Parliament decides otherwise.

WHAT TO DO

SECTION 11

PRIORITIES FOR THE FIRST NINETY DAYS

The Rules carry the substance. The window to shape them is open now, and it is the cheapest intervention available.

Very little in this Bill requires a company to wait. The consultation on the Rules is live, the records exercises can be done today, and the structural questions — auditor transition, entity rationalization, IFSC structuring — all have long lead times. What follows is what we would do, in what order, and who we would give it to.

Exhibit 4 — From report to readiness: the first ninety days

Day 0–30

Establish the facts and get into the consultation

Respond to the Rules

Four consultations decide the substance: s.144 scope, s.139(12) exemption conditions, s.134 reporting format and s.68 buy-back classes. Industry submissions carried real weight at Committee stage.

CFO AND GENERAL COUNSEL

Run a legacy shareholding audit

Identify any shares held by the company in its own name or through a trust from a pre-2013 scheme. The three-year clock starts on commencement and the penalty is uncapped at INR 10,000 a day.

COMPANY SECRETARY AND CONTROLLER

Open a live DIN and independence register

Periodic DIN verification is now a statutory obligation and continuing independent-director eligibility is a standing condition. Assign an owner who is not the director.

COMPANY SECRETARY

Day 31–60

Quantify the exposure and rebuild the processes

Map the auditor's advisory pipeline

For any group approaching rotation, model the one-year post-term restriction at **network level,** not firm level, before the tender opens.

AUDIT COMMITTEE CHAIR AND CFO

Re-paper the Board's report

Build the process that captures every auditor observation and every audit committee recommendation the Board declined, with reasoning, contemporaneously rather than in April.

COMPANY SECRETARY AND CONTROLLER

Name the individual under s.128(6)

Identify who carries the INR 20 lakh or INR 5 lakh personal exposure, confirm they know it, and verify daily backup of electronic books on servers in India.

CFO · HEAD OF IT

Day 61–90

Re-run the structural decisions the Bill has changed

Put AI into the controls conversation

Inventory where models or agents touch the financial close, reconciliation, estimation or disclosure drafting, and evidence the human review. Answerable today under COSO and s.143(3)(i).

CONTROLLER AND HEAD OF INTERNAL AUDIT

Re-test the IFSC and entity structure case

Foreign-currency capital and accounts, plus inbound re-domiciliation, change the arithmetic for structures routed through Singapore, Mauritius or the DIFC.

CFO AND HEAD OF TAX

Reopen shelved restructurings

A 75% threshold, a single NCLT bench and a dissenter exit make fast-track mergers viable for structures that failed the 90% test.

CFO · GENERAL COUNSEL

Exhibit 5 — From report to readiness: where the decisions actually get made

Now	Enactment	Rules	Commencement	+3 years
JPC report tabled 3 Aug 2026	Passage, assent, then notification	The Bill delegates heavily — most of the substance lands here	Staged: different dates for different provisions	s.233A deadline for legacy treasury shares

The window that matters is the one before the Rules are drafted

- Which companies fall inside the non-audit services bar and what counts as a prohibited service (s.144)
- Which private companies lose the statutory audit requirement, and how “audited” is read thereafter (s.139(12))
- Which audit observations the Board must actually explain - and how AI-generated reporting is to be verified (s.134)
- Which companies may buy back twice a year, and up to what share of capital and free reserves (s.68)

Ten questions your audit committee will ask

- Which of these provisions actually apply to us, and which are scoped out because we are a group company?
- Which individual in this company carries personal exposure under s.128(6), and do they know it?
- Are all our directors' identification numbers current and verified, and who owns that filing?
- If our auditor rotates, what advisory work does the one-year restriction stop — at network level or firm level?
- Do we hold any legacy shares in our own name or through a trust from a pre-2013 scheme?
- What is our process for explaining every auditor observation in the Board's report, and does it run through the year?
- Where has this Board declined an audit committee recommendation in the last two years, and how was it recorded?
- Where does AI touch our financial reporting today, and what evidence do we hold of human review?
- If a subsidiary becomes exempt from statutory audit, what assurance do we retain, and who decided that?
- What have we submitted, or what will we submit, on the draft Rules — and by when does the window close?

SECTION 12

CROSS-BORDER IMPLICATIONS — US GAAP, IFRS AND IND AS

The Bill does not amend accounting standards, but several reporting consequences follow from it.

This is a company-law Bill, not an accounting one. But a statute that changes the currency of share capital, extinguishes shares by deemed capital reduction, creates a route for a foreign company to become an Indian one, and permits realignment of the financial year cannot avoid touching the financial statements. Following consequences are worth flagging to a group reporting team.

Where the consequence lands | **Functional currency — Ind AS 21 / IAS 21**

What preparers should do

- An IFSC entity maintaining capital and books in a permitted foreign currency must still determine functional currency on the substance of its primary economic environment. **The statutory currency of account and the functional currency are not the same question**, and a mismatch will drive translation adjustments rather than resolve them.
- Existing IFSC entities converting rupee capital to a permitted foreign currency should model the translation and any resulting reclassification within equity before the conversion, not after. The same analysis applies to a Specified IFSC LLP converting partner contributions.

Where the consequence lands | **Equity-linked pay — Ind AS 102 / ASC 718**

What preparers should do

- Recognizing instruments linked to the value of the share capital of a company under ss.42, 62 and 68 aligns Indian company law with what Ind AS 102 and ASC 718 already required. Groups with US-parented plans should be able to issue in India the same instrument they issue elsewhere.
- Two cautions: the statutory text does not use the terms “RSU” or “SAR” — those appear in the Notes on Clauses and in the Committee’s discussion — and the Ministry declined to extend s.62(1)(b) to **cash-settled** SARs, which continue to carry liability classification and remeasurement.

Where the consequence lands | **Group reporting calendars — s.2(41)**

What preparers should do

- The new proviso creates an application route to realign the financial year to a period ending 31 March of the following year, available on commercial considerations and not only for consolidation with a foreign parent.
- Groups that have been maintaining two sets of period-end numbers should assess whether a one-off realignment removes a permanent reconciliation — and should plan the transition-period financial statements, which will be of unequal length.

Where the consequence lands — Capital and EPS — Ind AS 33 / IAS 33

What preparers should do

- Cancellation of legacy treasury shares under s.233A is a deemed reduction of capital **outside s.66.** Preparers should expect share-count and EPS presentation consequences, and should not assume the deemed-reduction route dispenses with disclosure.

Where the consequence lands — Re-domiciliation — first-time adoption

What preparers should do

- A company transferring its registration into the IFSC under Chapter XXIIA becomes an Indian company with its corporate history intact — ss.368 to 370 apply mutatis mutandis, so property vests and proceedings continue. But the reporting framework changes.

- Whether the entity is a first-time adopter of Ind AS, and what the date of transition is, should be settled before the application is filed, not after registration.

HOW UNIQUS CAN HELP

SECTION 13

A CONFLICT-FREE SERVICE MODEL

Uniqus works across US GAAP, IFRS and Ind AS from the United States, India and the Middle East, with a practice built specifically for groups that report in more than one framework.

Technical accounting & policy

Ind AS and IFRS positions arising from the Bill — functional currency for IFSC entities, RSU and SAR classification, deemed capital reduction and EPS, financial-year realignment, and first-time adoption on re-domiciliation.

Controls & governance

Board and audit committee readiness for s.134(3)(fa) and (pa), continuing independent-director eligibility monitoring, and internal control design for AI-enabled close and reporting under s.143(3)(i) and COSO.

Transactions & capital markets

Fast-track merger structuring against the 75% threshold and the new dissenter exit, legacy treasury-share cleanup under s.233A, valuation support under the s.247 regime, and IPO readiness through the revised perimeter.

Cross-border & subsidiary governance

Indian entity health checks for global groups — DIN, books location, s.128(6) exposure, network-level non-audit services — plus GIFT City versus DIFC, ADGM and Singapore structuring analysis.

About Uniqus Consultech:

Uniqus Consultech is an AI and global tech-enabled consulting company that specializes in Accounting & Reporting Consulting, Governance, Risk & Compliance, Sustainability & Climate Consulting, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

Uniqus has a global team of 800+ professionals, led by 100+ Partners and Directors, across 13 offices in the USA, the Middle East, and India. The company serves more than 400+ clients, including marquee names in each of the markets it operates in.

Uniqus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function through these challenges. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

A Team That You Can Trust To Deliver

Sandip Khetan
Co-Founder, Global Head of Accounting & Reporting Consulting

Abhijit Agarwal
Partner, Accounting & Reporting Consulting

Amit Jain
Partner, Accounting & Reporting Consulting

Mrinal Tayal
Partner, Accounting & Reporting Consulting

Nirav Patel
Partner, Accounting & Reporting Consulting

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Sagar Gupta
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