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RESEARCH CORNER

- Decriminalisation of Corporate Offences under the Corporate Laws (Amendment) Bill, 2026: Reform or Liability Relocation?

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The Corporate Laws (Amendment) Bill, 2026 is not India's first attempt at corporate decriminalisation; it is in fact, the third round of decriminalisation. The 2026 Bill now proposes a decriminalisation, extending the civil penalty framework to additional offences under the Companies Act, 2013 and the Limited Liability Partnership Act, 2008. The paper follows a standard legal research methodology of step-wise tracing the history of decriminalisation, assessing the proposed civil settlement mechanisms and analyzing the practical impacts of these legislative shifts. Each successive round of reforms responds to the same underlying problem centred on India's corporate regulatory architecture that imposed criminal liability on administrative conduct. The criminalisation of routine procedural defaults had created an environment of legal risk that was disproportionate to the harm caused. Foreign Investors, in particular, had been deterred, in the past, by the mere prospect that the director could face criminal prosecution for delayed filing or technical non-disclosure. Moreover, small companies and start-ups, which often lack dedicated legal compliance teams, were subjected to criminal proceedings for infractions that posed absolutely no threat to public interest or rights. In view of the above, this paper argues that the 2026 Bill, though legislatively sound and aligned with the current wave of corporate regulatory reforms, creates a framework in which criminal liability is not entirely removed but relocated, and shifted downwards from the original offence to the non-payment of the civil liability imposed. Moreover, the suggested civil enforcement structure required to replace the existing framework, is unscheduled and not enforceable by any statutory mandate.

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INTRODUCTION

The Corporate Laws (Amendment) Bill, 2026 ('the Bill'), introduced in the budget session of 2026 as Bill No. 85 of 2026, is not India's first attempt at corporate decriminalisation, it is in fact, the third round of decriminalisation. The Companies (Amendment) Act, 2019 ('CAA 2019') decriminalised 16 compoundable offences under the Companies Act, 2013, converting them into civil defaults, to be adjudicated through monetary penalties. Immediately thereafter (less than a year), The Companies (Amendment) Act, 2020 ('CAA 2020') decriminalised 46 more provisions, removing imprisonment as a consequence for a broad spectrum of procedural and technical violations. The 2026 Bill, without evaluating CAA 2019's or CAA 2020's impact, now proposes a third round of decriminalisation, extending the civil penalty framework to additional offences under the Companies Act, 2013 and the Limited Liability Act, 2008.

Each successive round of reforms responds to the same underlying problem centred on India's corporate regulatory architecture that imposed criminal liability on administrative conduct. The criminalisation of routine procedural defaults had created an environment of legal risk that was disproportionate to the harm caused. Foreign Investors, in particular, had been deterred, in the past, by the mere prospect that the director could face criminal prosecution for delayed filing or technical non-disclosure. Hence, independent professionals were reluctant to accept directorship, in light of, potential consequences. Moreover, small companies and start-ups, which often lack dedicated legal compliance teams, were subjected to criminal proceedings for infractions that posed absolutely no threat to public interest or rights. Decriminalisation directly addresses these concerns, by shifting to a civil penalty regime, and removing the effect of criminal prosecution on corporate decision-making, ultimately improving India's standing on ease of doing business indicators. The implementation of CAA 2019 and CAA 2020, coincided with a notable increase in foreign direct investment[1], and the introduction of the Companies Fresh Start Scheme, 2020, which benefitted over 4.73 lakh Indian companies[2]. At the same time, to understand the implications of this new regime, consider that after the enactment of the Bill, pending criminal proceedings would be transferred to the civil framework. However, Section 454(10) of the Bill provides that the pending cases would be dealt with "in accordance with such scheme as the Central Government may notify in this behalf" (p 39), a scheme that does not exist, has no given timeline for notification, no procedural safeguard, and no obligation of parliamentary oversight.

The paper follows a standard legal research methodology of step-wise tracing the history of decriminalisation, assessing the proposed civil settlement mechanisms and analyzing the practical impacts of these legislative shifts. Accordingly, this paper argues that the 2026 Bill, though legislatively sound and aligned with the current wave of corporate regulatory reforms, creates a framework in which criminal liability is not entirely removed but relocated, and shifted downwards from the original offence to the non-payment of the civil liability imposed. Moreover, the suggested civil enforcement structure required to replace the existing framework, is unscheduled and not enforceable by any statutory mandate. In this context, the paper is organized in eight sections beginning with the first section that introduces the subject and establishes the context for the present analysis. The second section establishes, why decriminalisation of procedural defaults is justified and necessary followed by the third section that examines how the bill relocates liability rather than removing it by shifting the liability from the original offence to the non-payment of civil penalty. The fourth section analyses the enforcement infrastructure gaps in the bill. The fifth section addresses the access to justice problem arising from Sections 454C, 454D and 132E read together. The sixth section presents a cross-country analysis of enforcement sequence followed by the United Kingdom, Singapore and New Zealand followed by the way forward in the seventh section. The paper concludes by stating that while India is on the right path of corporate regulatory reforms, the Bill's objectives can only be fulfilled if the enforcement architecture is implemented correctly.

THE CASE FOR CORPORATE DECRIMINALISATION

The Companies Act, 2013, in its original form, criminalised a wide range of procedural and administrative faults. Failure to fill annual returns, non-compliance with secretarial requirements, delays in filing, each of these infractions carried the risk of criminal prosecution, including imprisonment. The consequences were systematic. Courts were being clogged with prosecution that had no victim, no fraudulent intent, and caused no public harm. The Registrar of Companies spent countless man-hours on petty paperwork infractions instead of substantive fraud detection. According to Ministry of Corporate Affairs out of more than 40,000 cases filed under the Companies Act, 2013, almost 39000, did not involve any lapses of serious nature. The National Company Law Tribunal, which was already burdened by insolvency proceedings, continued to have a backlog because of technical defaults termed as criminal offences[3]. Moreover, according to the Standing Committee on Finance (2024-25), by August 2024, the NCLT had disposed of 86,828 cases and carried a pendency of 19,969 cases, although the Committee also noted persistent manpower shortages and procedural delays[4].

To understand why such a system was ineffective, it is necessary to first establish what a crime actually is, and why the majority of corporate procedural infractions do not satisfy this definition.

A crime, in legal terms, requires a combination of two elements, that is, *actus reus*, the prohibited act or omission, and *mens rea*, the guilty mind. It is precisely this combination of wrongful conduct with moral culpability, that justifies the state's response, consisting of imprisonment, a permanent criminal record and the never-ending social stigma[5]. In contrast, civil liability is regulatory in nature. It addresses non-compliance with monetary penalties without requiring proof of criminal intent.

When such a harsh criminal framework is applied to corporate procedural defaults, a fundamental error occurs. A company that fails to file its annual return on time, or neglects sending a notice to the shareholders, or delays intimating the Registrar regarding change in directorship may, sometimes, do it without any fraudulent intent, without an identifiable victim or any instance of public harm. Hence, these failures may just be administrative lacunae. But the old regime prosecutes them as crimes, with a full criminal trial and the possibility of imprisonment, thereby treating a company that defaults, on any of the above, with the same level of judicial scrutiny as another company that manipulates its accounts to defraud investors. This equivalence is not merely disproportionate, but downright inequitable. Hence, decriminalisation is not only a matter of administrative convenience, but a legal and constitutional necessity.

1. *Press Information Bureau, Government of India. (2021, May 28). India attracted highest ever total FDI inflow of US$ 81.72 billion during 2020-21, 10% more than last financial year [Press release]. https://www.pib.gov.in/PressReleasePage.aspx?PRID=1721268*
2. *Press Information Bureau, Government of India. (2021, March 23). Extending deadline of Companies Fresh Start Scheme and LLP Settlement Scheme [Press release]. https://www.pib.gov.in/PressReleasePage.aspx?PRID=1706926*
3. *Ministry of Information and Broadcasting, Government of India. (2023). Boost to ease of doing business and investment in the country: Decriminalization of offences under the Companies Act, 2013. Press Information Bureau. https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/may/doc202351190901.pdf*
4. *Standing Committee on Finance. (2024). Report on insolvency and bankruptcy law and NCLT & NCLAT (18th Lok Sabha). Lok Sabha Secretariat. https://ibclaw.in/report-of-standing-committee-on-finance-2024-25-on-insolvency-and-bankruptcy-law-and-nclt-nclat-december-2024/*
5. *Ashworth, A. (2013). Principles of criminal law (7th ed.). Oxford University Press.*
6. *Press Information Bureau, Government of India, Ministry of Corporate Affairs. (2019, November 18). Company Law Committee-2019 submits its report to Finance Minister [Press release]. https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=194549&reg=48&lang=2*

The Company Law Committee, in its Report of November 2019, correctly identified that the offences which are devoid of fraudulent intent, unaccompanied by the elements of *mens rea* and do not conflict with public interest, should not attract criminal liability[6]. This principle is not unique, as the United Kingdom's Companies Act, 2006 also draws a deliberate distinction between criminal offences, such as fraud and deliberate misconduct, and civil penalties administered by Companies House for procedural non-compliance[7]. Furthermore, Singapore's Accounting and Corporate Regulatory Authority has also distinguished between conduct involving dishonesty and fraudulent intent, and technical infractions[8]. Therefore, current direction of reforms, in India, is in line with the wave of corporate reforms worldwide.

The 2026 Bill's foundational objective is absolutely justified, although the question is not whether to decriminalise, but whether the replacement framework is capable of bearing the load that criminal courts previously carried. Decriminalisation is not deregulation, rather it is a substitution, where criminal liability is removed, but only on the condition that a credible and enforceable civil mechanism stands in its place. However, the Bill's suggested mechanism seems, as of yet, incomplete. Hence, the case for reform is strong, but the architecture for execution is lacking.

> The Corporate Law (Amendment) Bill, 2026 is based on a premise which, in principle, is sound. The decriminalisation of technical and procedural defaults is in line with the recommendations of Company Law Committee, and inspired by the procedure already adopted by other countries. The reform has the potential to make India's corporate environment more competitive, more investment friendly and more just.

RELOCATION OF CRIMINAL LIABILITY

The Bill has a consistent legislative architecture, where it decriminalises at the point of the original offence, and re-criminalises at the point of non-payment of the resulting civil penalty (see Table 1.1). Section 454(8)(ii) of the Companies Act, 2013, which was carried forward in the Bill without modifications provides:

(ii) [Where an officer of a company or any other person] who is in default [fails to comply with the order made under sub-section (3) or sub-section (7), as the case may be,] within a period of ninety days from the date of the receipt of the copy of the order, such officer shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both. (p 246)[9]

The Bill decriminalises the original offence, that is, failure to furnish information, violation of books of accounts requirements, procedural non-compliance, on the ground that such infractions lack *mens rea* and hence should not attract criminal liability. Yet Section 454(8)(ii) preserves the possibility of imprisonment not for the original default, but for the failure to pay civil penalty imposed in respect of it. Hence, the criminal liability has not been removed from the statute, it has just been moved one step downwards, where it is less visible.

This is a deliberate legislative choice, and not an isolated incident, as it is followed in the newly inserted Section 132(4A), which governs non-compliance with the order of National Financial Reporting Authority (NFRA). Section 132(4A) has an identical structure, where civil penalty is imposed first followed by imprisonment for non-compliance with the civil penalty. The legislature has consciously chosen to preserve the criminal liability at the enforcement stage, while removing it from the liability stage. This architecture is problematic on four distinct grounds:

First, let's imagine an officer who fails to pay civil penalty within ninety days may do so due to reason of insolvency, medical incapacity, or genuine financial distress, none of which constitutes deliberate misconduct. Yet the statute treats non-payment as deliberate default, without requiring any finding of wilful non-compliance before imprisonment.

Second, the imprisonment under Section 454(8)(ii) arrives without the procedural safeguard of a criminal trial. The penalty is determined not by a judicial officer, who applies the standard of proof beyond reasonable doubt, but by an Adjudication Officer (IAM), a government officer, who applies civil standard. Consequently, personal liberty under Article 21 of the Constitution is placed at risk because such a process bypasses the procedural protection that criminal law gives while imposing criminal liability.

Third, the 90-day payment window, while seems reasonable, remains inequitable in practice. A large company with an in-house legal department and ready liquidity, can comply within such a timeframe but a small time venture officer who receives a penalty order must simultaneously seek legal advice, evaluate whether to pay or appeal, arrange funds, and manage daily business operations, all within the stipulated window. For such officers, the 90-day period is not a generous grace period but a timeline that is disadvantageous to those who are less equipped to respond. Hence, the Bill's stated objectives of easing compliance burden on small companies are contradicted by its own enforcement mechanism.

Fourth, the penalty amount that leads to the possibility of imprisonment in the first place, is never judicially determined. It is fixed by an Adjudicating officer, a government appointee, whose orders may be erroneous, excessive, or procedurally flawed. While an appeal lies

7. *HCR Law. (n.d.). Directors and officers beware – Criminal offences under the Companies Act, 2006. https://www.hcrlaw.com/blog/directors-officers-beware-criminal-offences-companies-act-2006/*

8. *Accounting and Corporate Regulatory Authority, Government of Singapore. (n.d.). Enforcement Policy Statement: Overview. https://www.acra.gov.sg/compliance/enforcement-policy-statement overview*

9. *Companies Act, 2013, § 454.*

to the Regional Director under Section 454(5), Section 454D requires the appellant to deposit 10% of the penalty amount before the appeal is even admitted[10]. For an officer who cannot afford to pay the penalty in the first place, the deposit requirement effectively renders such a remedy useless. The consequence is that the imprisonment follows, from the non-payment of a penalty amount that wasn't determined by an independent judicial officer, and against which no affordable remedy is available.

This in-equity is further compounded by the silent deletion of the repeat offender clause, that existed under the old regime. Section 441(2) of the Companies Act, 2013, provided that no offence could be compounded if the same has been compounded within the preceding three years, and the repeat defaulters will be barred from availing the benefit of Section 441(1), thereby exposing them to criminal prosecution.[11] The civil penalty regime introduced by the Bill, contains no equivalent provision. A company may now default on the same provision repeatedly, pay the resulting penalty each time, and face no consequences regardless of the frequency or pattern of non-compliance. This deletion removes one of the very few genuine deterrents against serial defaulters.

Table 1.1: Shift in Liability Framework under the 2026 Bill

Provision	Position before the Bill	Position after the Bill
Failure to furnish information to Registrar	Criminal Prosecution; Imprisonment possible	*Civil Penalty under IAM; imprisonment under S.454(8)(ii), if penalty unpaid within 90 days.*
Violation of books of accounts requirements	Criminal Offence	*Civil Penalty under IAM; imprisonment under S.454(8)(ii), if penalty unpaid within 90 days.*
Non-compliance with NAFRA orders	Not applicable under old framework (new provision)	*Civil Penalty under new S.132; imprisonment under S.132(4A), if penalty unpaid.*

THE ENFORCEMENT INFRASTRUCTURE GAP

The Bill recognises that civil penalties require a credible recovery mechanism in order to meaningfully replace the existing regime. Therefore, the newly inserted Section 454B vests the Recovery officer with immense powers such as attachment and sale of movable property, attachment of bank accounts, attachment and sale of immovable property, and appointment of a receiver. These powers are inspired by the recovery mechanism available under the Income-Tax Act, 1961, and they represent the government's attempt to ensure that civil penalties are enforceable.

However, the efficiency of this mechanism depends entirely on the existence of Recovery Officers to exercise these powers. Section 454B defines "Recovery Officer" to mean "an officer not below the rank of Assistant Registrar or Assistant Director authorised by the Central Government in this behalf, by general or special order in writing" (p 40)[12]. This provision does not mandate that such officers be appointed, rather it merely permits the Central Government to do so. There is no prescribed timeline within which appointment must be made, no minimum number of Recovery Officers specified per region or state, and no requirement of geographic coverage to ensure that every jurisdiction has access to a functioning recovery mechanism. The power exists in the statute while its exercise only exists at the discretion of the executive.

The problems of Section 454B are compounded by Clause 1(2) of the Bill, which mandates that the Bill shall come into force "on such date as the Central Government may, by notification in the Official gazette, appoint; and different dates may be appointed for different provisions of this Act." (p 1)[13] This is standard commencement language found in most Indian states, hence by itself, it is not unusual. However, if we read Clause 1(2) with Section 454B, it permits decriminalisation of offences, and the consequent shift, from the criminal to civil regime, to take place immediately upon notification. On the contrary, the appointment of Recovery Officers, a mechanism intended to replace the old regime, may be notified in months, years or maybe never.

This is not a speculation, rather a concern borne out of India's experience with CAA 2020. The Companies (Amendment) Act, 2020 adopted an identical structure, based on the executive's discretion, for appointment and commencement. Six years later, in early 2026, the Ministry of Corporate Affairs is still expanding the adjudication and appeals infrastructure, adding new Regional Director offices and appointing fresh adjudication officers to handle appeals arising from adjudication orders[14]. No government evaluation of the CAA 2020 has been published, hence the 2026 Bill proceeds with a similar structure of enforcement, without any evidentiary basis that such a structure actually works.

A further difficulty lies in the nature of the recovery mechanism itself, as Section 454B incorporates, "with necessary modification", the recovery procedure under Section 220-232 and the Second and Third Schedules of the Income-tax Act, 1961, which is a framework developed, and operated by specialised tax recovery officers trained in such procedures. The Bill imposes this mechanism on the Registrar of Companies officials, whose ordinary functions are related to incorporation, filing, and compliance, without prescribing any training programme, or increase in staff

10. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 454D. Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*

11. *Companies Act, 2013, § 441. Retrieved from https://ibclaw.in/section-441-of-the-companies-act-2013-compounding-of-certain-offences/*

12. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 454B. Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*

13. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 1(2). Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*

14. *Ministry of Corporate Affairs, Government of India. (2025, October 23 & 2026, February 10). Notification Nos. S.O. 4852(E) and S.O. 698(E). Gazette of India. Retrieved from https://mca.gov.in/bin/dms/getdocument?mds=yAnqPocKzLxnYoerlj0xWA%3D%3D&type=open*

strength, or increased budget. Therefore, one of the Bill's most complex provisions, that is attachment and sale of property, and arrest for non-payment, is being assigned to an authority that has neither the institutional experience nor the resources to exercise such powers.

THE ACCESS TO JUSTICE PROBLEM

The Bill's enforcement infrastructure does not allow judicial supervision at any stage where a defaulter may seek to appeal. Such a mechanism is based on the following three provisions, Firstly, Section 454C (8) provides that "no appeal shall lie against any order passed by the Specified Authority" (p40)[15] in settlement proceedings. Secondly, Section 132E removes the jurisdiction of civil courts entirely, providing that "no civil court shall have jurisdiction to entertain any suit or proceedings in respect to any matter which the National Financial Reporting Authority is empowered to determine" (p18).[16] Thirdly, Section 454D makes the right to appeal, conditional, as, in order to register an appeal against the civil penalty, ten percent of the penalty amount needs to be deposited[17]. All these provisions, taken individually, may be defensible, as they prevent frivolous litigation. However, taken together, these three interlocking provisions completely block the defaulter from seeking any kind of judicial remedy.

The settlement mechanism under Section 454C, provides that a "Specified Authority" constituted by the Central Government with no prescribed composition or independence, may settle disputes on the terms, that they consider appropriate, and Section 454C (8) bans any appeal against such a settlement. The Bill's mechanism stands in direct contrast to the SEBI (Settlement Proceedings) Regulation, 2018, which mandates review by a High-Powered Advisory Committee before settlement is finalised.

Furthermore, as per Section 454D, a penalty of fifty lakh rupees requires a five-lakh rupee deposit before the appeal is even admitted. Although such an amount is trivial for large corporations, but for a medium, micro or small company, it becomes a huge imposition. Such inequity is not remedied by the amended Section 446B, which halves the penalty for small companies, and one person companies. The recovery mechanism under Section 454B, including arrest and detention for non-payment, is applied uniformly regardless of company size. Thus, a halved penalty that remains unaffordable is not a remedy.

The gaps identified in the present Bill of 2026, are not isolated incidents, rather it is just the latest instance of a recurring pattern (see Table 1.2). Each round of decriminalisation has been presented as completing the last round, yet no government evaluation of either of preceding rounds has been published. The 2026 Bill repeats the same structure of discretionary appointment, no timeline, a criminal liability for non-payment, while adding further complexities through Section 454B, 454C, and 454D, without first establishing whether the existing structure has worked or not.

Table 1.2: Three Rounds of Decriminalisation – No Evaluation

Year	Amendment	Offences Decriminalised	Government Evaluation Published
2019	Companies (Amendment) Act, 2019	16	No
2020	Companies (Amendment) Act, 2020	46	No
2026	Companies (Amendment) Act, 2026	Further offences under Companies and LLP Act	No (The Bill is under examination by the JPC)

A CROSS-COUNTRY ANALYSIS

Other jurisdictions pursued similar reforms, but they sequenced them differently (see Table 1.3). Under the United Kingdom's Companies Act, 2006, decriminalisation of technical defaults was introduced only after Companies House had established the enforcement structure with defined collection timeline; and criminal liability was restrained only for information-holding during investigations. Singapore's Accounting and Corporate Regulatory Authority also decriminalised offences in 2017, but only after publishing a penalty collection rate and staffing a dedicated civil enforcement unit. New Zealand, on the other hand, deliberately deferred corporate reforms until the enforcement design was complete. In all the cases, decriminalisation happened only after a functioning replacement infrastructure was established. The 2026 Bill proceeds in the opposite sequence, decriminalising first and leaving enforcement capacity to be built subsequently.

Table 1.3: A Cross-Country Comparative Overview

Jurisdiction	Sequence Adopted	Enforcement pre-condition before decriminalisation
United Kingdom (Companies Act, 2006)	Enforcement-first	*Companies House has digitised enforcement and defined collection timeline prior to decriminalisation.*
Singapore (ACRA, 2017)	Enforcement-first	*Penalty collection rate (over 90%) published and dedicated civil enforcement unit staffed before decriminalisation.*
New Zealand	Enforcement-first	*The Government has adopted an explicit two-phase model. Phase 1 focuses on infrastructural improvements. Phase 2 will follow with review of infrastructure and further reforms.*
India (2026 Bill)	Decriminalisa-tion-first	*No certification or infrastructure condition, before decriminalisation.*

THE WAY FORWARD

The 2026 Bill's direction is necessary and overdue. The OECD conducted research, covering over 60 advanced and emerging economies from 1997 to 2016, and found that corporate reforms

15. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 454C(8). Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*
16. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 132E. Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*
17. *Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026), § 454D. Retrieved from https://prsindia.org/files/bills_acts/bills_parliament/2026/Corporate_Laws_(A)_Bill_2026_Text.pdf*

which liberalise regulatory restrictions by approximately 10% lead to an increase in bilateral FDI stocks by 2.1% on average[18]. Decriminalisation of corporate defaults is precisely the category of corporate reform that OECD's research findings address. Therefore, foreign investors, who evaluate legal risk before entering a new market, would find India a significantly more attractive destination after the reforms. Beyond foreign investment, a credible civil penalty regime would improve ease of doing business for domestic companies as well. MSMEs and startups, which currently operate under the risk of criminal penalty for paperwork infractions, would be free to focus on growth. Hence, if the Bill is implemented correctly, it would lead to economic betterment.

The reform has the potential to make India's corporate environment more competitive, more investment friendly and more just. But that potential is contingent on one structural correction, whereby commencement of decriminalisation of each provision must be conditional on the operationality of the civil enforcement structure required for implementation of such provision.

CONCLUSION

The Corporate Law (Amendment) Bill, 2026 is based on a premise which, in principle, is sound. The decriminalisation of technical and procedural defaults is in line with the recommendations of Company Law Committee, and inspired by the procedure already adopted by other countries. The difficulty, as identified in this paper is not in the Bill's objectives, but in its enforcement architecture. Criminal liability has not been removed from the statute, rather it has been relocated to the point of non-payment of civil penalty, where it is less visible, and where there are fewer remedies available. Ultimately such a structure places a disproportionate burden on small companies. The civil enforcement infrastructure rests in the hands of a Recovery Officer, whose existence rests on the discretion of the executive, with no statutory timeline, staffing mandate or precedent of timely implementation. Moreover, India's experience with the 2019 and 2020 rounds of decriminalisation, where appellate infrastructure remained incomplete for years, suggests that executive discretion, historically has not been converted into action. Taken together, these features demonstrate that the Bill does not achieve decriminalisation in its present state. Rather than eliminating the liability, it simply relocates it from the original misconduct to the non-payment resultant civil penalty.

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- Companies (Amendment) Act, 2019
- Companies (Amendment) Act, 2020
- Corporate Laws (Amendment) Bill, 2026 (Bill No. 85 of 2026)
  - s 1(2) (commencement clause)
  - s 132(4A) (imprisonment for non-payment under NFRA)
  - s 132E (exclusion of civil court jurisdiction)
  - s 446B (reduced penalties for small companies)
  - s 454B (Recovery Officer and recovery mechanism)
  - s 454C (settlement proceedings)
  - s 454C(8) (bar on appeal against settlement orders)
  - s 454D (10% deposit condition for appeal)
  - s 454(10) (pending cases scheme)
- Income Tax Act, 1961 (ss 220–232, Second and Third Schedules)
- Insolvency and Bankruptcy Code, 2016

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