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The Companies (Amendment) Bill, 2025: An Analytical and Critical Appraisal

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Abstracts
The Companies (Amendment) Bill, 2025 was introduced in the Parliament of India on 5th December, 2025. This Bill contains changes mainly related to the formation of a CSR committee and the undertaking of the CSR activities. The other changes introduced in the Bill relate to the strengthening of the corporate social responsibility governance, definition of "Small company", digital filing being made mandatory, enhancing the disclosures in the Directors' Report, consideration of arbitration for shareholders' disputes, restrictions on the layers of the subsidiary a holding company may have, enhancements of National Financial Reporting Authority (NFRA) powers and corporate reporting oversight etc. This article also analyses the merits and demerits of the said changes introduced into the Bill.

Keywords: Amendment, Bill, Parliament, CSR, Small company, Digital filing, Directors" report, shareholders, subsidiary, NFRA

1. Introduction

The Companies (Amendment) Bill, 2025 was introduced in the Parliament of India on 5th December, 2025. The main amendments in the Companies (Amendment) Bill, 2025 relate to the formation of a Corporate Social Responsibility Committee, and the undertaking of the corporate social responsibility activities. The said amendment also includes the strengthening of the corporate social responsibility governance. There are other key amendments in the said Bill which includes those related to the definition of "Small company", digital filing being made mandatory, enhancing the disclosures in the Directors' Report, consideration of arbitration for shareholders' disputes, restrictions on the layers of the subsidiary a holding company may have, enhancements of National Financial Reporting Authority (NFRA) powers and corporate reporting oversight etc.

2.Objective of the Study

The following are the main objectives of the study:
2.1. To analyse each of the amendments in the said amendment Bill in detail along with the positive impact of the same on the corporate governance; and
2.2. To highlight the shortcomings/ weaknesses/ challenges arising out of the said amendments from the point of view of the undesired impact on corporate governance.

3. Research Methodology

The research methodology adopted in this article is "Analytical/Critical Doctrinal Research". The reason

is that it involves the Companies (Amendment) Bill, 2025 under the Companies Act, 2013 and the critical analysis thereof in the form of pointing out the positive points/ strengths and also the shortcomings/weaknesses thereof.

4.Analysis of the amendments in the Companies (Amendment) Bill, 2025

4.1. Amendment in Section 135 (1) of the Companies Act, 2013 related to the applicability

Section 135 (1) of the Companies Act, 2013, before the introduction of the said Bill reads as under:

"Every company having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more, or a net profit of ₹ 5 crore or more, during the immediately preceding financial year, shall constitute a Corporate Social Responsibility Committee of the Board consisting of 3 or more directors out of which at least 1 director shall be an independent director.

Provided that where a company is not required to appoint an independent director under section 149(4), it shall have in its Corporate Social responsibility Committee 2 or more directors."

However, under the Companies (Amendment) Bill, 2025, the above limit of net worth of ₹ 500 crore is reduced to ₹100 crore or more, the limit turnover of ₹ 1,000 crore or more is reduced to ₹ 500 crore or more and the limit of net profit of ₹ 5 crore has been reduced to ₹ 3 crore or more.

Impact of the above amendments: Now, the corporate social responsibility will have to be complied with by the small companies also which will increase their corporate law compliance burden. It means that all the provisions of section 135 of the Companies Act, 2013 and the related rules will have to be fully complied with by such small and medium sized companies covered by the amendment. Hence, the so-called negative impact on the newly covered companies is that there will be a huge compliance burden. Thus, these newly covered companies will have to constitute a CSR Committee of the Board, formulate and approve a CSR policy, compute the amount to be spent on CSR activities, spend the amount on the permissible CSR activities and make annual disclosures in the Directors' report and financial statements.

The second and positive impact is that there will be a huge positive impact on the society through undertaking of corporate social responsibility activities listed under schedule V of the Companies Act, 2013 by a much higher number of the companies.

However, it is to be noted that the above changes will become binding on the companies only after the said amendment Bill is passed by the Parliament of India for conversion into an Act.

4.2. Amendment related to the definition of small company

Section 2(85) of the Companies Act, 2013 defining "Small Company" reads as under:

"Small company means a company, other than a public company-(a) the paid-up capital of which does not exceed ₹ 50 lakhs, or such higher amount as may be prescribed which shall not be more than ₹ 10 crores; and (b)the turnover of which, as per the Profit and Loss Account of the company for the immediately preceding financial year, does not exceed ₹ 2 crores, or such higher amount as may be prescribed which shall not be more than ₹ 100 crores.

Provided that nothing in this clause shall apply to-

(A) a holding company or a subsidiary company; (B)a company registered under section 8; and (C)a company or body corporate governed by any special Act."

By way of substitution of the Rule 2(1) (t) of the Companies (Specification of Definition Details) Rules, 2014, the paid up-share capital limit has been increased to ₹ 10 crores, and the turnover limit has been increased to ₹ 100 crores.

Impact of the above amendment: Now, after the above amendment, many private companies will be covered under "Small Company" category resulting into no requirement to include cash flows statement in its financial statements, requirement only of abridged directors' report and abridged annual return, a lower number of CARO reporting requirements, auditors' report not requiring to report on the adequacy/ effectiveness of internal financial controls under certain clauses, lower frequency of Board meeting etc.
Thus, this amendment will ultimately result into lower compliance cost and paper requirements, time savings for Board and auditors, better ease of doing business etc.
However, the negative impact is that this will result into lower transparency for such companies, bank/credit assessments etc.
However, it is to be noted that the above changes will become binding on the companies only after the said amendment Bill is passed by the Parliament of India for conversion into an Act.

4.3. Mandatory digital filing under the Companies (Amendment) Bill, 2025

These amendments include as under:
4.3.1. Filing of AOC-1 and AOC-2: The Bill is specifically mandating the electronic filing of AOC-1 (related to salient features of subsidiaries' financial statements) and AOC-2 (related to Particulars of related party contracts/arrangements). These forms are also required to be digitally signed/authenticated.
4.3.2. XBRL/EBEL forms and attachments: Consolidated financial statements not include XBRL variants (AOC-4 XBRL) and attachment requirements i.e., signed financial statements are to be uploaded as PDFs along with XBRL filing where applicable.
4.3.3. Extracts of Board's report and auditor's report (Electronic summaries/fields): The amendment now requires filing of specific extracts of the Board's report and auditor's report electronically through the prescribed e-Forms. This also includes mandatory disclosure fields.
4.3.4. Board's report-Mandatory workplace compliance disclosures: Companies are now required to disclose (in Board's report filings/ the prescribed e-form fields) the following:
(a) Number of sexual harassment complaints received in the year; (b) Number of such complaints disposed of during the year; (c)Number of such complaints pending for more than 90 days; and (d) An explicit statement on compliance with the Maternity Benefit Act, 1961.
4.3.5. Authentication/digital signatures/certification: The e-forms require digital authentication by authorised signatories and certification by the responsible professional wherever there is a requirement.
Impact of and the purpose behind the above amendment: The basic objective of the government is to ensure high level of transparency, and search machine-readable corporate data for the regulators. This also includes to enable real time analytics by the Ministry of Corporate Affairs for the purpose of compliance monitoring, trend detection and enforcement. It will also reduce the physical paperwork, and standardise disclosures. It will also align financial/consolidated filing to XBRL/structured reporting for easier comparability.
However, it is to be noted that the above changes will become binding on the companies only after the said amendment Bill is passed by the Parliament of India for conversion into an Act.

4.4. Enhancing disclosures in the Director's report

These may be discussed as under:
4.4.1. Mandatory Prevention of Sexual harassment disclosures (i.e., the disclosures related to sexual harassment at workplace): Companies are now required to include prevention of sexual harassment

information in their Board of Directors' report i.e., the number of complaints received during the year, number of complains disposed of during the year, number of complains pending, details of action taken, details of internal complaints committee, and steps taken to prevent sexual harassment.

4.4.2. E-filing/ electronic extracts of Board's report: The amended rules mandate the electronic filing of the extracts of the Board's report.

4.4.3. More granular/employee disclosures (including maternity benefits): The amendment requires enhanced disclosures about employee welfare measures. This also includes the details of maternity benefits measures besides measures related to prevention of sexual harassment. Companies are supposed to detail the compliance and steps taken.

4.4.4. Corporate social responsibility committee changes: The Amendment Bill also contains changes to the CSR applicability and CSR committee. These changes will also impact the **CSR disclosures in the Board's report** i.e., the disclosures related to the composition of the committee, projects, expenditure, status of implementation.

4.4.5. Disclosures related to the strengthening of secretarial/governance and related party transparency: These changes require additional secretarial disclosures in the annual filings, certain summarised items related to investor grievances, related party transactions disclosures in the prescribed formats to appear in the Board's report.

Positive impacts of these changes: This will lead to greater transparency and huge stakeholder confidence. This will also benefit the public in the form of better regulatory oversight and monitoring in compliance. There will be greater standardisation and comparability. This will also impact workplace safety and governance culture.

Demerits and practical challenges of these changes: These changes will result into increase compliance cost and burden on the administration. This may result into privacy and reputational risk. There might be implementation gaps across the corporate eco systems. Companies may need time to restructure and update the previous year comparatives.

4.5. Consideration of arbitration for shareholders' disputes

The Companies (Amendment) Bill, 2025 contains provisions related to certain shareholders related disputes to be brought to arbitration. These include, for example, shareholders IP disputes and low value penalty matters. This might be in the form of a scheme where the amount/penalty involved is small. The arbitration remains a contract-based and private remedy.

Positive sides of the arbitration for some shareholders' disputes: The resolutions will be faster and there will be less burden on the Tribunals. Parties can select the arbitrators with industry/IP and technical expertise for an expert decision-making. The arbitrators' wards will generally be final and enforceable. A faster ward can be implemented quicker than the long court process. Arbitration proceedings can be kept out of the public domain.

Demerits of the arbitration for some shareholders' disputes: Arbitration still involves some fees and institutional costs and hence it may not be accessible and cost-effective for the minority shareholders with small claims. There will be a loss of public scrutiny because important public-interest and governance issues may be kept hidden in the name of confidentiality. There will be reduced judicial scrutiny because it is difficult to set aside the arbitration awards if the right of appeal is heavily limited. There will also be a risk of unequal bargaining power because the large/ promoter shareholders may steer the arbitration process to their advantage and to the disadvantage of the small shareholders. There will be a lack of

institutional capacity and consistency because inconsistent awards across arbitrations may create legal uncertainty. There might be fragmentation of remedies because splitting remedies between administrative decisions and arbitrations may create procedural complexity.

4.6. Restrictions on the layers of the subsidiary a holding company may have

The Amendment Bill and the concerned rules further make stricter the reporting and the limit on the number of layers of subsidiaries. This further revises forms (CRL-1) and strengthens the group structures. The intention is to curb the undue opacity in the complex group structures.

Merits of the restrictions on the layers of the subsidiaries: This consists of greater transparency in the form of simpler and clear group structures. This also involves easier enforcement in the sense that it makes it easier for the regulators, creditors and tax authorities to assess their risk and exposure. This also protects the investors in the sense that the minority shareholders and lenders get clearer information about the ultimate ownership and control.

Demerits of the restrictions on the layers of the subsidiaries: The restructuring of the egal entities to comply with the requirements may involve business reorganisation cost in the form of professional and transaction costs. Businesses may face operational rigidity in the sense that the businesses which used layered subsidiaries for legal/tax/operational reasons may lose flexibility. The rules are too rigid and hence, can hamper the group restructuring for brand/operational reasons.

4.7. Enhancements of National Financial Reporting Authority (NFRA) powers and corporate reporting oversight

The Companies (Amendment) Bill, 2025 expands the powers of the NFRA related to delegation and strengthened investigative/disciplinary mechanisms. This improves audit/regulatory oversight.

Merits of the above amendment: This results into stronger audit oversight. It gives the regulator more teeth to investigate into the audit failures and improve the audit quality. This amendment restores confidence in the sense that the better enforcement can raise investor confidence in financial reporting and capital markets. This also results into faster action in the form of delegated powers and clearer processes can speed up disciplinary or corrective action.

Demerits of the above action: This imposes regulatory burden on auditors in the sense that the smaller audit firms may face disproportionate costs from the point of stricter regulation and compliance checks. This also results into risk of overreach in the sense that the expanded powers require to be balanced with fairness in procedure for avoiding the chilling effect on the profession. This amendment also results into implementation complexity because building capability for fair and timely enforcement requires resources and clear rules.

5. Conclusion

The Companies (Amendment) Bill, 2025 was introduced in the Parliament of India on 05.12.2025. This Bill includes the basic changes related to the formation of a CSR committee and the undertaking of the CSR activities. The other changes introduced in the Bill relate to the strengthening of the corporate social responsibility governance, definition of "Small company", digital filing being made mandatory, enhancing the disclosures in the Directors' Report, consideration of arbitration for shareholders' disputes, restrictions on the layers of the subsidiary a holding company may have, enhancements of **National Financial Reporting Authority (NFRA)** powers and corporate reporting oversight etc. On an overall basis, the Bill

introduces the greater transparency and enhanced disclosures for better public information but at the same time also increases the compliance cost and huge procedural requirements involving more time and coordination.

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