

Title: The Impact of Companies (Amendment) Act, 2021 On Company Law

Author: Abhinn Sharma

Corresponding Author: Dr Arvind Kumar Singh, Assistant Professor

Amity University Uttar Pradesh, Lucknow

Abstract: Company Law is the law governing the companies incorporated in India. Law consists of Acts, Rules, Orders, Regulations, Bye Laws, and Ordinances. In a similar way, Company Law consists of Companies Act, 2013, Rules prescribed by the SEBI and MCA, Orders by Registrar of Companies and Regional Directors, Regulations made by the Regulatory Bodies, Bye Laws which are self-governing law to govern a Regulatory Body and Ordinances passed by the President which is also known as emergency law. In this research paper, we will be focusing upon the changes made in the Companies Act, 2013 through the Companies (Amendment) Act, 2021 and its impact on overall company law and few changes that have occurred in companies working also comparing the previous law and the new laws that were made. We have mainly focused on a few companies and firms in Lucknow to know their reviews regarding the Amendment Act through questionnaires.

Keywords: companies, research, bylaws and regulations, limits

Objective:

1. To know the effect of Companies (Amendment) Act, 2021 upon few companies and firms in Lucknow.
2. To know how the amendment has brought a change for finance professionals.
3. To know if amendments done are right or not and need for further amendments.

Introduction

The Companies Act, 2013 consists of a total of 29 chapters, 7 schedules. The 29 chapters have been divided into a total of 470 Sections. The Ministry of Corporate Affairs (MCA) is responsible for Governance of Companies in India through the Companies Act, 2013. The MCA has divided India into 7 regions. The 7 regions are and their respective Headquarters are as follows:

North – Delhi

South – Chennai

East – Kolkata

West – Mumbai

North East – Shillong

North West – Ahmedabad

South East – Hyderabad

Every Region has an officer known as RD (Regional Directors). Below the RDs are ROCs. There are a total of 25 ROCs in India who control the incorporation of Companies in India. The Incorporation Formalities Control is done through incorporation form SPICe+(INC 32). The machinery of Company Law is governed by Legislature, Executive and Judiciary.

Talking about the Companies (Amendment) Act, 2021 there have mainly been a total of 9 amendments that have taken place. The following amendments have taken place:

1. Mandatory Registration of NGO's with MCA for raising CSR Funds – Every entity which intends to undertake CSR, must register itself with the Central Government by filing the form CSR-1 electronically with the registrar which has been in effect from 1st April, 2021.
2. Definition of Small Company – The definition of Small Company was revised. “Small company means a company whose paid-up capital and turnover shall not exceed ₹2 crores and ₹20 crores respectively.”

Earlier the definition of small company used to be, “Small Company is a company whose paid up capital is not more than ₹50 lakhs and the turnover of the company is not more than ₹2 crores.”

3. Minimum offer period for Right Offer Reduced from 15 days to now 7 days – The time period within which the offer shall be made for acceptance shall not be less than 7 days from the date of the offer.
4. Companies not be considered as listed company – 3 categories given for this purpose.
 - a. Public Companies which have not listed their equity shares at a recognized stock exchange but have listed their non-convertible debt securities issued on private placement basis in terms of SEBI (Issuing and Listing of Debt Securities) Regulations, 2008; or non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Preference Shares) Regulations, 2013
 - b. Private Companies which have listed their non-convertible debt securities on private placement basis on a recognized stock exchange in terms of SEBI (Issuing and Listing Debt Securities) Regulations, 2008.
 - c. Public Companies which have not listed their equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified under Section 23(3) of the Act.
5. Abridged Annual Return for OPC and Small Companies in Form MGT-7A – Every company shall file its annual return in Form MGT-7 except One Person Company (OPC) and Small Company. OPC and Small Company shall file annual return from 2020-21 onwards in Form MGT – 7A.
6. Limits prescribed to remuneration payable to ‘other directors’ in case of no Profits

Sl. No.	Where the effective capital (in rupees)	Limit of yearly remuneration payable shall not exceed (in Rupess) in case of a managerial person	Limit of yearly remuneration payable shall not exceed (in rupees) in case of other director
(i)	Negative or less than 5 crores	60 lakhs	12 Lakhs
(ii)	5 crores and above but less than 100 crores	84 lakhs	17 Lakhs
(iii)	100 crores and above but less than 250 crores	120 lakhs	24 Lakhs
(iv)	250 crores and above.	120 lakhs plus 0.01% of the effective capital in excess of Rs.250 crores	24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores

7. Companies to use accounting software with audit trail with each transaction – Every company which uses accounting software to maintain its books of accounts, shall use only the software which has feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that audit trail cannot be disabled. It has been effective from 1st April,2022.
8. The Scope of reporting by auditors in audit report has been broadened – The scope of reporting has been broadened by inserting the clause which defines ‘Other matters to be included in the Audit Reports’.The additional disclosures required are:
 - a. Advance Loans Reporting and Other Investments than the ones disclosed in notes to accounts.

- b. Fund Receiving for investing or lending than the ones disclosed in notes to accounts.
 - c. Dividend declared or paid under Section 123 of Companies Act, 2013
 - d. Use of accounting software having Audit Trail, etc.
9. Additional Disclosures to be made in Balance Sheet and P/L A/c – As per the amendment following additional disclosure are required:
- a. Shareholding Disclosure of Promoters
 - b. Trade Payables ageing schedule with age 1 year, 1–2-year, 2-3 year and more than 3 years
 - c. Gross and Net Reconciliation carrying amounts of each class of assets
 - d. Trade Receivables ageing schedule with age 1 year, 1–2-year, 2-3 year and more than 3 years
 - e. Detailed disclosure regarding title deeds of Immovable Property not held in the name
 - f. Revaluation & CWIP Disclosure
 - g. Advances and Loans granted to promoters, directors, Key Managerial Personal's, and Related parties
 - h. Benami Property Details
 - i. Reasons and Reconciliation of material discrepancies, in quarterly statements submitted to books and bank
 - j. Disclosure where company is declared willful defaulter by any bank or financial institution
 - k. Relationship with Struck off Companies
 - l. Utilization of Borrowed Funds and Share Premium
 - m. Corporate Social Responsibility Disclosure
 - n. Crypto Currency or Virtual Currency Details

Literature Review:

Let us talk about some of the articles and researches that have taken place on Companies Act and the amendments that have taken place and are provided online and information available through the different research papers.

Taxmann - The Companies Act has been altered a total of 24 times since it has been made back since Companies Act, 1956. The MCA, i.e., the Ministry of Corporate Affairs is responsible which has a committee which decides upon what kinds of amendments are necessary as per change in time.

The company legislation in India relates back to the 19th century. Major amendments have been made in the year 2000 which included postal ballot, audit committee, shelf prospectus, etc. were introduced with emphasis on Corporate Governance. Amendments in 2002 introduced the concept of NCLT, NCLAT which faced impediments in form of court cases questioning the constitutional validity of these tribunals and in 2006 providing DIN and online filing of documents was launched.

There was a stage where need was felt to replace the voluminous legislation with new compact Companies Act and a committee under Dr. JJ Irani was appointed to look into the matter. The aim was to making more user-friendly laws and liberalizing the law.

Ministry of Corporate Affair – The Companies Act was enacted on the recommendations of the Bhaba Committee setup in 1950 with the object to consolidate the existing corporate laws and to provide a new basis for corporate operation in independent India with enactment of Companies Act, 1956 which repealed the Companies Act, 1913.

Lexology – The amendments of Companies (Amendment) Act, 2021 have been introduced to ensure greater transparency in the administration of corporate affairs and come into effect on the date of the publication in the official gazette which ensure prompt implementation.

Research Methodology:

The way the research has been conducted was through the medium of questionnaires which were filled by the people who have knowledge in the field or have been dealing with different cases related to it. We have used the SPSS tool for evaluation of the data and for keeping the data together. We have used pie charts from the google forms itself for pictorial representation of the data.

Data Analysis:

Data analysis is not merely about manipulating numbers; it's about uncovering profound insights and extracting value from vast datasets. The process begins with meticulous data collection, akin to assembling a complex puzzle from various sources. Next comes the crucial step of cleaning and transforming the data, ensuring accuracy and consistency – much like the careful restoration of unearthed artifacts. With prepared data in hand, exploration begins. Visualizations, statistical summaries, and data mining techniques become invaluable tools, revealing hidden patterns and trends – reminiscent of deciphering enigmatic symbols on ancient artifacts. Advanced statistical models and machine learning algorithms serve as modern technologies, offering deeper insights into the data's significance and historical context. Ultimately, this process culminates in translating these insights into actionable outcomes. Reports, dashboards, and compelling visualizations effectively communicate the extracted value to stakeholders, like presenting restored artifacts and sharing their captivating narratives with the world.

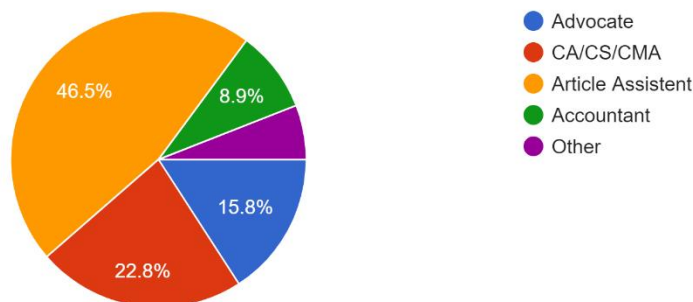
Data Interpretation:

What is your profession?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Accountant	9	8.9	8.9	8.9
Advocate	16	15.8	15.8	24.7
Article Assistant	47	46.5	46.5	71.2
CA/CS/CMA	23	22.8	22.7	93.9
Other	6	6	6	100.0
Total	101	100.0	100.0	

What is your profession?

101 responses



Interpretation

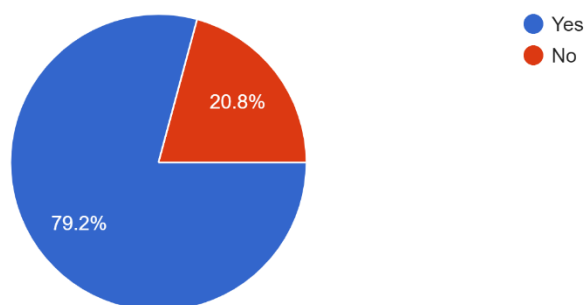
The greater proportion of professional individuals to have taken the survey have been Article Assistants (46.5%). Next up were CA/CS/CMA (22.8%). Then next up were advocates (15.8%). Then a few Accountants (8.9%) who took the survey. Lastly, there were some people who were from Other (6%) professions which amounted to 6.

Do you think that the Amendments made were necessary?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
No	21	20.8	20.8	20.8
Yes	80	79.2	79.2	100.0
Total	101	100.0	100.0	

Do you think that the Amendments made were necessary?

101 responses

**Interpretation**

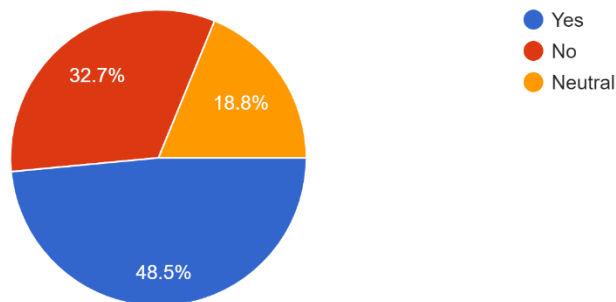
Out of the people who took the Survey, the Table represents the Frequency and the pie chart is the pictorial representation of the data for the particular question. 80 people (79.2%) were in the favor that the amendments made in the Companies (Amendment) Act, 2021 were necessary where as 21 people (20.8%) believed that the amendments made in Companies (Amendment) Act, 2021 were not necessary.

Has the Amendments increased the work for professionals?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Neutral	19	18.8	18.8	18.8
No	33	32.7	32.7	51.5
Yes	49	48.5	48.5	100.0
Total	101	100.0	100.0	

Has the Amendments increased the work for professionals?

101 responses

**Interpretation**

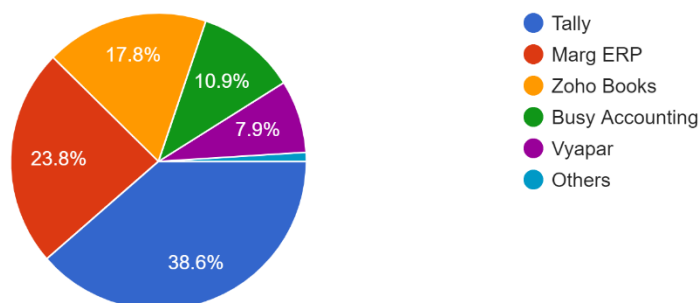
It is believed that Yes (48.5%) the amendments have helped in increasing work for the professionals. The second highest votes have been for No (32.7%) the amendments have not increased the work for professionals. 19 of the professionals taking the survey have voted that they have a Neutral (18.8%) stand on the question of increased work for professionals. Overall people have agreed that work has increased which means increase in employment for the professionals as well.

What Accounting software have you seen people using?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Busy Accounting	11	10.9	10.9	10.9
Marg ERP	24	23.8	23.8	34.7
Others	1	1	1	35.7
Tally	39	38.6	38.6	74.3
Vyapar	8	7.9	7.9	82.2
Zoho Books	18	17.8	17.8	100.0
Total	101	100.0	100.0	

What Accounting software have you seen people using?

101 responses

**Interpretation**

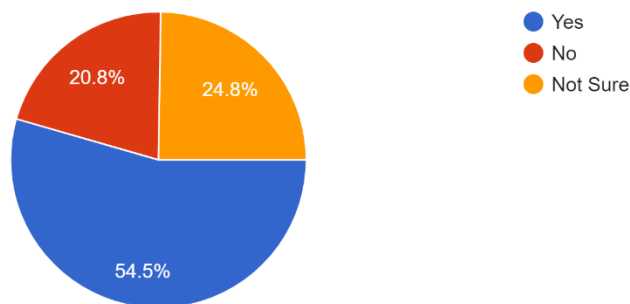
Recent Amendment have been to use trail-based accounting software. So, the question was what software have been seen by the professionals. Tally (38.6%) got the highest votes of all which means that it is the most used software in the city where the survey was conducted, i.e., Lucknow. Marg ERP (23.8%) has been the second highest voted accounting software which the professionals have seen being used recently. Zoho Books (17.8%) has been the third highest voted accounting software. Busy Accounting (10.9%) has been the fourth highest voted accounting software. Vyapar (7.9%) has got fifth highest votes for accounting software and only 1 vote for Other Accounting Software.

Has the Amendments helped in controlling corruption?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
No	21	20.8	20.8	20.8
Not Sure	25	24.8	24.8	45.6
Yes	55	54.4	54.4	100.0
Total	101	100.0	100.0	

Has the Amendments helped in controlling corruption?

101 responses

**Interpretation**

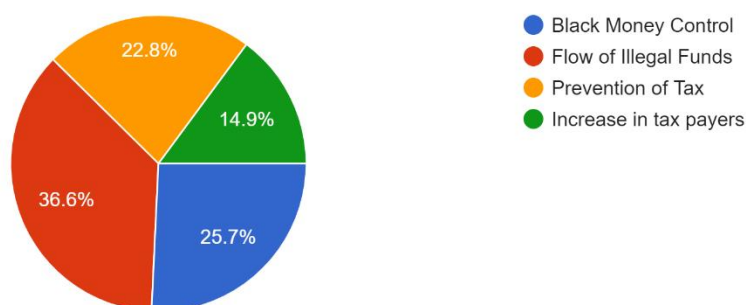
The Amendments have allowed so many accounting disclosures. It is believed by people that Yes (54.4%) the amendments have helped in controlling the corruption. The people have also voted for Not Sure (24.8%) that whether the amendments have helped in controlling the corruption process or not. Also, there have been votes for No (20.8%) there has been no control of corruption due to the new amendments.

What has mandatory registration of NGO's for CSR helped most in?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Black Money Control	26	25.7	25.7	25.7
Flow of Illegal Funds	37	36.6	36.6	62.3
Increase in tax payers	15	14.9	14.9	77.2
Prevention of Tax	23	22.8	22.8	100.0
Total	182	100.0	100.0	

What has mandatory registration of NGO's for CSR helped most in?

101 responses

**Interpretation**

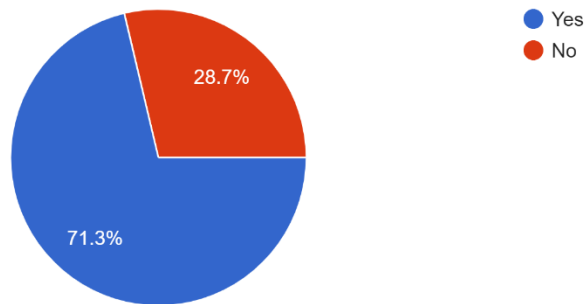
Amendment have been made for mandatory registration of NGO's for gathering the CSR Funds. Question was that what has the mandatory registration of NGO's for CSR most helped in. Most of the professionals have voted for Flow of Illegal Funds (36.6%). Then the votes have been for Black Money Control (25.7%). Then the votes have been for Prevention of Tax (22.8%). Lastly, the votes have been for Increase in tax payers (14.9%).

Was alteration of Small Company clause needed?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
No	29	28.7	28.7	28.7
Yes	72	71.3	71.3	100.0
Total	182	100.0	100.0	

Was alteration of Small Company clause needed?

101 responses

**Interpretation**

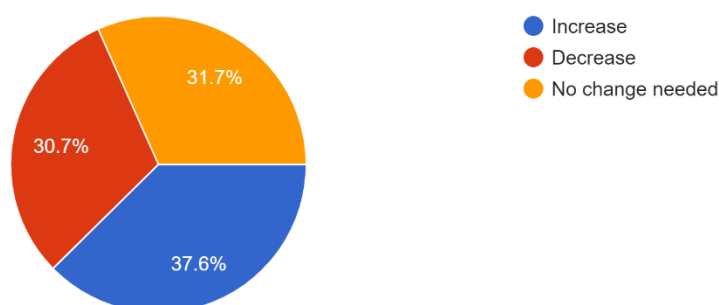
The small company clause was also amended and altered in the Companies (Amendment) Act, 2021. Question was if the alteration of Small Company clause needed. Most of the professionals have voted for Yes (71.3%) that there was a need for alteration in small company clause. The alteration has allowed many companies to be in the small company ambit as well allowing them certain privileges. There have been votes for No (28.7%) change was needed in the clause as well.

Is the Upper Limit and Lower Limit for Small Companies okay or need to be changed?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Decrease	31	30.7	30.7	30.7
Increase	38	31.7	31.7	62.4
No change needed	32	37.6	37.6	100.0
Total	182	100.0	100.0	

Is the Upper Limit and Lower Limit for Small Companies okay or need to be changed?

101 responses



Interpretation

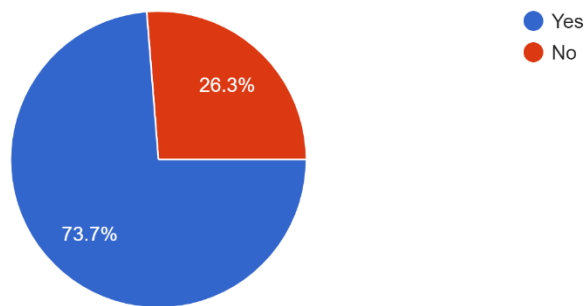
The turnover and the capital limit for Small Company were changed in the amendment. The question was to know that if the lower limit and the maximum limit of company falling in small companies fine or does it need to be changed. There has been quite even voting by the professionals in this matter. There have been highest votes for Increase (37.6%) that the limit should be increased more. The second highest votes have been for No change needed (31.7%) that the people are happy with the current change and do not want any further change. The least would have been for Decrease (30.7%) in the limit for Small Companies.

Further Amendments needed?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
No	26	26.3	26.3	26.3
Yes	73	73.7	73.7	100.0
Total	99	100.0	100.0	

Further Amendments needed?

99 responses

**Interpretation**

The Companies Act has had one of the most amendments till date. One of our objectives of this research was also knowing that if people think more amendments are needed in the future or not. Law is a revolving concept and that is why we see that there have been more votes in favor of Yes (73.7%) further amendments are needed in the act. Although, there have been votes in favor of No (26.3%) amendments are needed further in the Act.

Conclusion

The research paper, “The Impact of Companies (Amendment) Act, 2021 on Company Law” examines the what major amendments have taken place and what its impact have been. It has laid down three major objectives in the research paper which are 1. To know the effect of Companies (Amendment) Act, 2021 upon few companies and firms in Lucknow, to know how the amendment has brought a change for finance professionals., To know if amendments done are right or not and need for further amendments.

The research has made sure to only cover people related to the sector. The research paper has found out that the amendments made were necessary. The amendments have helped increase work for the professionals which means increase in the employment for more finance professionals as well. The research paper has found out that Tally has been the most popular of all the accounting software after the amendments have taken place. The amendments have also helped in controlling the corruption by allowing more accounting disclosures and broadening the auditors report. Mandatory registration of NGO’s for CSR Funds has helped in controlling of illegal funds going here and there. The research says that the alteration of small company clause was needed. The research also states that most people want that there should be an increase in the Limit for Small Company. The research states most important of all that further amendments are needed and people agree to most of the amendments made. This research covers and fulfills its objectives.

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