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CORPORATE LAWS (AMENDMENT) BILL, 2026

Impact on Corporate Restructuring Practice in India

An Analysis by PNAM & Co. LLP

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Introduction & Rationale

The Corporate Laws (Amendment) Bill, 2026 ('the Bill') was introduced in the Lok Sabha on March 23, 2026, proposing sweeping amendments to the Companies Act, 2013 and the Limited Liability Partnership Act, 2008. The Bill has since been referred to a Joint Parliamentary Committee for detailed examination and stakeholder consultation.

The legislative intent behind these amendments rests on five foundational pillars:

- **Decriminalisation of procedural defaults** - Replacing criminal sanctions with civil penalties for non-fraudulent defaults. The Bill proposes decriminalising over 60 procedural defaults under the Companies Act, 2013, converting minor offences into civil penalties to avoid unnecessary judicial backlog.
- **Ease of doing business** - Simplifying procedural requirements to reduce transaction costs and timelines. It replaces certain affidavits with self-declarations, reduces time and costs for corporate restructuring, and facilitates fast-track mergers and acquisitions.
- **Digitisation of the compliance framework** - Modernising regulatory interfaces for seamless electronic processing
- **Strengthening corporate governance** - Enhancing transparency and accountability mechanisms
- **Reduction in compliance burden** - Eliminating redundant filings and approvals that serve no substantive regulatory purpose

The Bill proposes amendments spanning numerous provisions of the Companies Act, 2013 and the limited liability partnership framework. This article confines its analysis to those amendments that bear directly on corporate restructuring and mergers and acquisitions practice in India.

From a restructuring standpoint, the Bill introduces several structurally significant reforms with the potential to materially streamline mergers, demergers, amalgamations, and other forms of corporate reorganisation. The proposed changes are directed at longstanding procedural and interpretive obstacles that have encumbered restructuring transactions - among them, the multiplicity of NCLT proceedings required for a single transaction, the stringent approval thresholds governing the fast-track merger regime, procedural overlaps across regulatory frameworks, and persistent interpretational ambiguities concerning companies subject to insolvency or other regulatory proceedings.

The Bill, once enacted, is expected to reduce the time, cost, and complexity of corporate restructurings across India, making the country a more efficient jurisdiction for both domestic and cross-border M&A transactions.

Current Legislative Status

The Bill is presently under examination by the Joint Parliamentary Committee. Subsequently, it will be taken up again for consideration and passage by Parliament, with any revisions incorporated based on the Committee's findings. Thereafter, the amended provisions may be notified and brought into force, either immediately or in a phased manner, as determined by the Central Government.

Key Amendments Impacting Corporate Restructuring

The table below summarises the principal amendments relevant to corporate restructuring and M&A practice:

Sr.	Amendment	Current Position	Proposed Change
1	Single Bench Jurisdiction of NCLT	Multiple NCLT filings required across states where companies have their registered offices	Single NCLT bench (jurisdiction of transferee/resultant company) for all scheme matters
2	Restriction on Companies under IBC Liquidation	Ambiguity on whether companies in IBC liquidation can pursue schemes under Section 230	Express bar on companies undergoing IBC liquidation from filing schemes of arrangement
3	Revised Fast-Track Approval Thresholds	90% shareholder and creditor assent required for fast-track schemes under Section 233	Majority present and voting holding 75% in value (aligned with NCLT-sanctioned schemes)
4	Removal of OL Filing for Fast-Track Demergers	Scheme copy required to be filed with Official Liquidator even for demergers	OL filing dispensed with for fast-track demergers where both entities continue in existence
5	Treatment of Treasury Shares (New Section 233A introduced)	No statutory mandate to cancel pre-2013 Act treasury shares creating circular ownership	Mandatory disposal/cancellation within 3 years; daily penalty of INR 10,000 for non-compliance
6	Buy-back of Securities Reforms	25% cap on buy-back; only one buy-back per year; affidavit-based solvency declaration	Differential limits for specified classes; two buy-backs per year (6-month gap); RSU/SAR eligibility
7	Valuation of Partners Contribution of LLP	Section 32 of the LLP Act, 2008 read with Rule 23 of the LLP Rules, 2009. No specific overarching valuation statute for LLPs	New Section 33A of the LLP Act (proposed) makes Section 247 of the Companies Act, 2013 applicable mutatis mutandis to LLPs.

Detailed Analysis of Key Amendments

1. Single Bench Jurisdiction of NCLT

Under the existing framework, where companies involved in a scheme of arrangement or merger have their registered offices situated in different states, they are required to file the scheme before the NCLT bench having jurisdiction in each such state. This has historically resulted in:

- Parallel hearings before multiple NCLT benches, each operating on independent timelines and risking divergent orders
- Duplication of filings and hearings, leading to significantly higher legal costs for the parties
- Extended timelines as each bench must independently receive no-objection certificates from regulatory authorities
- Payment of stamp duty on the same transaction in multiple jurisdictions

The proposed amendment mandates that all schemes be filed before the NCLT having jurisdiction over the transferee or resultant company, irrespective of the jurisdictions of counterparty entities. This single-bench regime applies prospectively; schemes pending prior to the amendment coming into force will continue under pre-amendment provisions.

Practical Insight: In our assessment, this relief should also extend to cases filed under Section 233 (fast-track mergers) where the Regional Director, in terms of Section 233(5) of the Companies Act, 2013 raises concerns and refers the matter to the NCLT.

2. Restriction on Companies under IBC Liquidation

Section 230 of the Companies Act, 2013 previously contained references to companies undergoing liquidation proceedings under the Insolvency and Bankruptcy Code, 2016, creating a longstanding ambiguity as to whether such companies could simultaneously pursue a scheme of arrangement or merger before the NCLT.

The proposed amendment removes the IBC reference from Section 230(1) and Section 230(6), thereby clarifying that once a company enters IBC liquidation, the route of a scheme of arrangement or merger under the Companies Act is no longer available as a parallel mechanism.

Impact: This resolves a jurisdictional overlap that has generated considerable litigation and provides certainty to stakeholders that IBC proceedings take precedence once initiated.

3. Revised Approval Thresholds for Fast-Track Schemes

Under the existing regime, a scheme under the fast-track process (i.e. Section 233) requires assent from shareholders comprising 90% of total value of shares and creditors representing 90% of the total outstanding debt. This threshold has rendered Section 233 practically unviable for listed companies and entities with dispersed shareholding patterns.

The proposed amendment aligns fast-track approval thresholds with those applicable to NCLT-sanctioned schemes:

Stakeholder	Current Threshold	Proposed Threshold
Shareholders	90% of total value of shares	Majority present and voting holding 75% of value in shares
Creditors	90% of total outstanding debt	Majority representing 75% (3/4th) of value of creditors

Impact: This reform significantly widens the pool of transactions capable of utilising the fast-track framework, potentially reducing scheme timelines from 6-10 months (NCLT route) to 3-4 months. Listed companies and entities with institutional investors can now realistically pursue fast-track mergers.

4. Removal of OL Filing Requirement for Fast-Track Demergers

Under the current framework, a copy of every scheme is required to be filed with the Official Liquidator (OL) even in the case of a demerger where both the demerged company and the resulting company continue to remain in existence. Given that the OL's role is primarily relevant in winding-up and insolvency proceedings, filing a demerger scheme with the OL serves no practical regulatory purpose.

The proposed amendment clarifies that companies undergoing a fast-track demerger under section 233 of the Companies Act, 2013 will not be required to file the scheme with the OL, thereby reducing procedural delays by removing a filing step that added no substantive regulatory value.

5. Treatment of Treasury Shares (New Section 233A)

Section 232 of the Companies Act, 2013 provides that a company cannot hold shares in itself pursuant to a scheme of arrangement and any such shares must be cancelled or extinguished. However, no equivalent provision existed under the erstwhile Companies Act, 1956. As a result, companies that acquired treasury shares through pre-2013 schemes have continued to hold such shares without any statutory obligation or legal provision to cancel them, creating circular ownership structures and distorting governance.

The Bill proposes a new Section 233A mandating the disposal or cancellation of shares held by a transferee company in its own name, or in the name of a trust (for itself or its subsidiaries/associates), as a result of schemes under the pre-2013 Act. Such shares must be disposed of or dealt with within 3 years from the commencement of the amendment, failing which:

- The shares shall be compulsorily cancelled and extinguished, constituting a deemed reduction of share capital
- A daily penalty of INR 10,000 applies for continued non-compliance

Practical Insight: In our assessment, this provision should also extend to transferee companies in mergers under Section 233 (fast-track route). Additionally, the Bill amends Section 232(3)(b) by inserting "on the merger or amalgamation" to clarify the trigger point for cancellation of treasury shares arising from schemes of amalgamation or merger.

6. Buy-back of Securities - Enhanced Flexibility

The Bill proposes five discrete but interrelated amendments to the buy-back framework under Section 68 of the Companies Act, 2013. Taken together, these changes signal a shift from a rigid, one-size-fits-all regime toward a more flexible and proportionate framework one that accommodates differences in company size and sector, broadens the universe of eligible instruments, and reduces both procedural friction and penal exposure for directors. The table below summarises the key amendments against the existing position:

Sr. No.	Aspect	Existing Position (Companies Act, 2013)	Proposed Amendment (Corporate Laws (Amendment) Bill, 2026)
1.	Buy-Back ceiling	A uniform cap of 25% of aggregate paid-up share capital and free reserves applies to all companies, irrespective of sector or size.	The Central Government is empowered to prescribe higher or differential buy-back limits for specified classes of companies, enabling sector-specific or size-specific relaxations beyond the uniform 25% ceiling.
2.	Frequency of Buy-Back	Only one buy-back offer is permitted per year, with a mandatory one-year interval from the closure of the preceding offer.	Specified classes of companies (as may be prescribed) may undertake up to two buy-back offers within a single year, subject to a minimum gap of 6 months between successive offers.
3.	Eligible Instruments	Section 68 of the Companies Act, 2013 permits buy-back of "its own shares or other specified securities" — confined to equity shares and convertible securities. Instruments such as RSUs and SARs, linked to the value of share capital but not	Buy-back eligibility is expanded to include shares issued under schemes linked to the value of share capital, expressly bringing RSUs, SARs, and similar equity-linked compensation instruments within the ambit of permissible buy-back.

		“securities” in the conventional sense, are not expressly covered.	
4.	Solvency Declaration	Directors must file a declaration of solvency verified by an affidavit, exposing them to the rigour attendant upon sworn statements.	The affidavit requirement is dispensed with. The substantive obligation to declare solvency is retained, but without the formal affidavit mechanism, reducing procedural exposure.
5.	Penalty framework	Non-compliance attracts criminal penalties: imprisonment of up to three years and/or fines, triable by criminal courts.	Criminal penalties are replaced with civil penalties. Imprisonment is removed entirely; enforcement shifts to administrative adjudication, consistent with the broader decriminalisation policy.

Impact: This introduces meaningful flexibility for capital-rich or debt-free companies to return surplus cash efficiently and undertake strategic capital restructuring.

7. Valuation of Partners’ Contribution in LLPs

The Bill proposes to insert a new Section 33A in the Limited Liability Partnership Act, 2008 (“LLP Act”). This section mandates that the provisions of Section 247 of the Companies Act, 2013 (relating to valuation by registered valuers) shall apply *mutatis mutandis* to the valuation required in respect of:

- A partner’s contribution in an LLP;
- Any property or assets of the LLP;
- The net worth of the LLP; and
- The liabilities of the LLP,

under the provisions of the LLP Act or rules made thereunder.

M&A Relevance: The proposed Section 33A has direct bearing on M&A and corporate restructuring transactions involving LLPs. Under Sections 60–62 of the LLP Act, schemes of compromise, arrangement, or amalgamation before the NCLT require valuation of the transferor’s undertaking, assets, and net worth to determine the fairness of the exchange ratio or consideration. Similarly, conversion of a company or partnership firm into an LLP necessitates a net worth and asset valuation. Under the current framework, such valuations are typically certified by a practicing CA or supported by a merchant banker’s fairness opinion with no statutory mandate for an IBBI-registered valuer. Post-amendment, any valuation “required under the LLP Act or rules” must be conducted by an IBBI Registered Valuer, bringing LLP restructuring transactions at par with company schemes under the Companies Act, 2013. This will particularly impact conversions where book value diverges significantly from fair market value (e.g., LLPs holding appreciated real estate or intellectual property), and will lend greater evidentiary weight to scheme petitions before the NCLT.

The amendment also reshapes valuation in partner exit and buy-out scenarios, a frequent source of dispute in LLPs. Where an LLP Agreement references valuation ‘as required under the LLP Act’ or where exit triggers a statutory obligation, the exercise must now be by a Registered Valuer. This reduces scope for valuation manipulation, provides an independent and standard-compliant assessment, and creates a more defensible basis in arbitration or litigation.

Concluding Observations

The Corporate Laws (Amendment) Bill, 2026 marks a structurally significant reform in India's approach to corporate restructuring regulation. The proposed amendments address systemic inefficiencies that have long encumbered M&A transactions in India - from the multiplicity of NCLT filings to the impractical approval thresholds for fast-track mergers.

If enacted in its current form, the Bill will:

- Reduce transaction timelines for mergers and demergers by eliminating parallel filings
- Make the fast-track merger route viable for listed companies and entities with dispersed shareholding
- Resolve ambiguities at the intersection of corporate law and insolvency proceedings
- Provide clarity on legacy treasury share issues predating the Companies Act, 2013
- Enhance capital restructuring flexibility through reformed buy-back provisions

These amendments collectively signal India's intent to create a more efficient, predictable, and business-friendly environment for corporate restructuring and M&A transactions.

ABOUT OUR CORPORATE RESTRUCTURING PRACTICE

PNAM & Co. LLP is a multidisciplinary professional services firm with a focused practice in corporate restructuring, mergers & acquisitions, insolvency & bankruptcy advisory, and capital reorganisation. Our team regularly advises corporates, financial institutions, investors, resolution professionals, and promoter groups on complex transaction structuring, regulatory matters, and implementation support across diverse sectors. Our core areas of practice include:

- Schemes of Arrangement and Amalgamation under Sections 230–234 of the Companies Act, 2013
- Fast Track Mergers under Section 233
- Reduction of Share Capital under Section 66
- Demergers, Slump Sales, and Internal Reorganisation Exercises
- Cross-border Restructuring and Inbound/Outbound M&A
- Insolvency & Bankruptcy advisory, including CIRP support resolution plan implementation, representation before NCLT/NCLAT and advisory to Resolution Professionals, Monitoring Committees, CoC members, and investors
- Distressed Asset Transactions and Special Situation Investments
- Buy-back of Securities and Capital Rationalisation
- FEMA, RBI and regulatory advisory in relation to restructuring and investment transactions
- Due Diligence, Valuation Advisory, Transaction Structuring and Regulatory Approvals
- Representation before NCLT, NCLAT, RBI, ROC, RD, SEBI and other regulatory authorities

With a strong focus on execution-oriented advisory, we assist clients through the entire lifecycle of a transaction from structuring and regulatory strategy to implementation and post-closing compliances.

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Team Corporate Secretarial & Legal - complianceandlegal@pnam.co

DISCLAIMER

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