# SUPPLEMENTARY FOR DECEMBER 2026 TERM OF EXAMINATION

## PAPER - 5

## BUSINESS LAWS AND ETHICS

## SYLLABUS 2022

# Amendments in the Companies Act, 2013

## 1. Revision in the Definition of “Small Company”

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| Notification | Companies (Specification of Definition Details) Amendment Rules, 2025 – G.S.R. 880(E) |
| Date of Notification | 1st December, 2025 |
| Effective From | 1st December, 2025 |

The Ministry of Corporate Affairs amended Rule 2(1)(t) of the Companies (Specification of Definition Details) Rules, 2014, relating to the definition of a Small Company under Section 2(85) of the Companies Act, 2013.

The financial thresholds were enhanced with effect from 1 December 2025. The revised limits are: (i) paid-up share capital – not exceeding ₹10 crore; and (ii) turnover – not exceeding ₹100 crore.

The earlier limits were ₹4 crore paid-up share capital and ₹40 crore turnover.

The existing exclusions continue to apply. A holding company, subsidiary company, Section 8 company, or a company/body corporate governed by a special Act is not treated as a Small Company merely because it satisfies the financial thresholds.

**Examination Point:** From 1st December, 2025, the Small Company thresholds are ₹10 crore paid-up share capital and ₹100 crore turnover, subject to statutory exclusions.

## 2. Companies (Incorporation) Amendment Rules, 2025

As part of the Government’s digital compliance initiative, amendments to the Companies (Incorporation) Rules, 2014, were introduced in July 2025 to strengthen corporate identity verification processes. The amendment operationalised a revised web-based compliance mechanism, replacing the earlier INC-22A (ACTIVE) compliance framework.

The updated system requires enhanced verification of registered office particulars, geo-tagged office evidence, and authenticated company identification through electronic filings on the MCA V3 portal. These measures aim to prevent shell company operations and ensure accurate statutory records. The Second Amendment Rules, 2025, were notified on 26 August 2025 and became effective on 15 September 2025. Pursuant to this amendment, Form RD-1 (application to Regional Director) has been substituted by a revised Form RD-1.

The revised form standardises electronic applications submitted for approvals relating to:

- change of financial year under Section 2(41),
- conversion of company status,
- rectification of the company name,
- and other matters requiring approval of the Central Government, delegated to the Regional Director.

The revised form includes additional disclosure fields and structured digital validation to improve processing efficiency and reduce procedural deficiencies.

**3. Amendment Relating to Removal of Names of Government Companies**

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| Notification | Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2025 – G.S.R. 940(E) |
| Date of Notification | 31st December, 2025 |
| Effective From | 1st January, 2026 |

MCA amended the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 in relation to Government Companies, including their subsidiaries, seeking removal of their names under Section 248(2) of the Companies Act, 2013.

Where one or more directors have been appointed or nominated by the Central Government or a State Government, the indemnity bond in Form STK-3A may be given on behalf of the company by an authorised representative not below the rank of Under Secretary or equivalent in the concerned administrative Ministry/Department.

The amendment is intended to facilitate the closure/strike-off process for eligible Government Companies and their subsidiaries.

**Examination Point:** For eligible Government Companies and their subsidiaries, the prescribed STK-3A indemnity bond may be executed by an authorised representative not below Under Secretary/equivalent in the prescribed circumstances.

**4. Companies (Listing of Equity Shares in Permissible Jurisdictions) Amendment Rules, 2025**

The MCA issued a notification on 3 July 2025 amending the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, effective from 4 July 2025. The amendment replaces Form LEAP-1 with a revised version requiring additional disclosures and procedural steps.

The revised form requires unlisted public companies seeking overseas listing to provide detailed information on capital structure, regulatory approvals, and compliance confirmations. Companies must file the new Form LEAP-1 within seven days of finalising the prospectus.

The amendment streamlines overseas listing procedures and strengthens regulatory supervision and disclosure standards for cross-border capital market participation.

**5. CSR Through Zero Coupon Zero Principal Instruments (ZCZP)**

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| Notification | Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026 - G.S.R. 415(E) |
| Date of Notification | 27th May, 2026 |
| Effective From | 27th May, 2026 |

MCA amended the Companies (Corporate Social Responsibility Policy) Rules, 2014 and introduced provisions relating to Zero Coupon Zero Principal (ZCZP) instruments.

The amendment introduced the concepts of a Not for Profit Organisation and a Zero Coupon Zero Principal Instrument in the CSR framework, with reference to the applicable SEBI framework.

A company may undertake CSR activities through subscription to a ZCZP instrument issued by an eligible Not for Profit Organisation registered with the Social Stock Exchange, subject to the prescribed conditions.

Expenditure through such instruments is subject to a ceiling of 10% of the company's total CSR expenditure for that financial year.

A company subscribing to a ZCZP instrument is exempt from undertaking impact assessment of a project funded through such instrument, subject to the prescribed conditions.

**Examination Point:** CSR expenditure through ZCZP instruments cannot exceed 10% of the company's total CSR expenditure for that financial year.

**6. ZCZP Instruments Specifically Included in Schedule VII**

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| Notification | Notification amending Schedule VII to the Companies Act, 2013 - G.S.R. 416(E) |
| Date of Notification | 27th May, 2026 |
| Effective From | 27th May, 2026 |

On 27 May 2026, MCA separately amended Schedule VII to the Companies Act, 2013.

A new item was inserted to specifically recognise subscription to Zero Coupon Zero Principal instruments on the Social Stock Exchange as a CSR activity.

This amendment should be read together with the CSR Policy Amendment Rules, 2026: the Rules provide the mechanism and conditions, while Schedule VII expressly recognises the activity.

Examination Point: From 27th May, 2026, subscription to ZCZP instruments on the Social Stock Exchange is specifically included in Schedule VII as a CSR activity.

**7. Revision of Director KYC Requirements**

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| Notification | Companies (Appointment and Qualification of Directors) Amendment Rules, 2025 – G.S.R. 943(E) |
| Date of Notification | 31st December, 2025 |
| Effective From | 31st March, 2026 |

MCA amended the Companies (Appointment and Qualification of Directors) Rules, 2014, particularly Rule 12A dealing with KYC requirements for individuals holding a DIN.
The annual KYC mechanism was replaced by an abridged KYC intimation once in every three consecutive financial years.
The prescribed DIR-3 KYC Web filing is to be made on or before 30 June of the immediately following every third consecutive financial year, in accordance with the amended Rule 12A.

The revised mechanism permits updating of prescribed personal particulars such as mobile number, email address and residential address. Where there is a change in specified personal particulars, the prescribed update is required within 30 days of the change.

**Examination Point:** The annual KYC requirement has been replaced by a three-yearly KYC intimation; specified changes in personal particulars must be reported within 30 days.

**8. Revision in Fees for DIR-3 KYC Web**

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| Notification | Companies (Registration Offices and Fees) Amendment Rules, 2026 - G.S.R. 300(E) |
| Date of Notification | 21st April, 2026 |
| Effective From | 21st April, 2026 |

MCA amended the Companies (Registration Offices and Fees) Rules, 2014 to prescribe the fee structure relating to DIR-3 KYC Web.

The revised fee structure distinguishes between timely KYC compliance, delayed filing/reactivation and subsequent filings made for specified changes in personal particulars.

Timely DIR-3 KYC Web filing: Nil fee. Delayed filing / reactivation of DIN: ₹5,000. Subsequent DIR-3 KYC Web filing for change in prescribed personal particulars: ₹500 per filing.

**Examination Point:** Timely filing attracts no fee; delayed filing or DIN reactivation attracts ₹5,000; subsequent filing for specified personal changes attracts ₹500 per filing.

**9. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025**

The Ministry of Corporate Affairs (MCA) issued a notification on 7 July 2025, bringing the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 into effect from 14 July 2025. The amendment strengthens the regulatory framework for implementing and monitoring Corporate Social Responsibility (CSR).

Under the amended rules, Form CSR-1, relating to the registration of CSR implementing agencies, has been replaced by a revised electronic Form CSR-1 that incorporates enhanced disclosure requirements. The revised form mandates additional particulars, such as registration credentials, governance structure, and certification by a practising professional, thereby improving verification and accountability of implementing agencies.

The amendment introduces mandatory digital verification and web-based filing through the MCA V3 portal. CSR implementing agencies must update registration details before conducting activities for eligible companies. Eligibility criteria have also been clarified to align with Section 135 of the Companies Act, 2013.

These amendments aim to enhance transparency in CSR fund utilisation, strengthen compliance oversight, and promote effective monitoring of CSR expenditure through technology-driven mechanisms.

**10. Companies (Audit and Auditors) Amendment Rules, 2025**

The Companies (Audit and Auditors) Amendment Rules, 2025, notified in June 2025 and effective from 14 July 2025, simplify and digitise auditor reporting requirements. The amendment streamlines auditor fraud reporting by mandating electronic submission through Form ADT-4, now the standard mechanism for reporting identified frauds. It removes redundant reporting clauses, reducing compliance burden while maintaining oversight. These changes improve regulatory efficiency, enable faster communication with authorities, and promote transparency in audit practices, focusing on modernising audit compliance through digitisation.

**11. Companies (Meetings of Board and its Powers) Amendment Rules, 2025**

The Companies (Meetings of Board and its Powers) Amendment Rules, 2025 were notified on 3 November 2025. The amendment substitutes Rule 11(2) to clarify the interpretation of the expression "business of financing industrial enterprises" for the purposes of Section 186 relating to loans, guarantees, securities, and investments by companies.

The clarification expressly includes:

- financing activities undertaken by Non-Banking Financial Companies (NBFCs),
- guarantees and securities provided in the ordinary course of financing business, and
- financing operations carried out by entities located in International Financial Services Centres (IFSCs).

The amendment removes ambiguity and provides regulatory clarity regarding exemptions under Section 186.

**12. Companies (Accounts) Second Amendment Rules, 2025**

With effect from 14 July 2025, these amendments introduced notable substantive changes:

*a)* ***Enhanced Disclosures in the Board's Report:*** The Board's Report must now disclose quantitative data regarding sexual harassment complaints, including the number of complaints received, disposed of, and pending for more than 90 days, pursuant to the requirements under the Prevention of Sexual Harassment (POSH) Act. The Report must also include a declaration of compliance with the Maternity Benefit Act, 1961.

*b)* ***Digital Filing Enhancements:*** The amendments introduce new e-forms (e.g., e-AOC-1, e-AOC- 2, e-AOC-4, AOC-4 CFS, and NBFC-specific versions), and mandate the submission of extracts of the Board's Report and Auditor's Reports (both standalone and consolidated), together with signed financial statements in PDF or XBRL format.

**QUICK REVISION POINTS**

- **Small Company:** ₹10 crore paid-up share capital & ₹100 crore turnover, subject to statutory exclusions.
- **Government Company strike-off:** prescribed STK-3A indemnity may be executed by an authorised representative not below Under Secretary/equivalent in the prescribed circumstances.
- **Director KYC:** annual mechanism replaced by KYC intimation once every three consecutive financial years; specified personal changes require updating within 30 days.
- **DIR-3 KYC Web:** timely filing - Nil; delayed filing/reactivation - ₹5,000; subsequent filing for specified personal changes - ₹500.
- **CCFS-2026**: temporary compliance facilitation scheme; not a permanent amendment.
- **ZCZP:** CSR expenditure through eligible ZCZP instruments is subject to the 10% ceiling prescribed in the CSR Rules.
- **Schedule VII:** subscription to ZCZP instruments on Social Stock Exchange is specifically recognised as a CSR activity from 27th May 2026.