Parliamentary Panel to take up Companies Bill after report on DTC

A parliamentary panel will take up the Companies Bill2011, which will replace the half-a- century old company law, after finalising the report on the Direct Taxes Code (DTC).

"We first want to complete the report on DTC, after that we will take up the Companies Bill," a source said.

The Parliamentary Standing Committee on finance is once again scrutinising the new Companies Bill, which was listed for passage in the Winter Session. It was strongly opposed by the Opposition parties and UPA ally Trinamool Congress as they said this was virtually a new Bill with considerable alterations to the earlier version.

About a fortnight ago, the standing committee had sought stakeholder comments on the Bill.

"We have received comments and suggestions on the modified Bill from a large number of people and now we will take it up," the source said.

According to sources, some members of the Parliamentary Standing Committee that scanned the Companies Bill had been seeking mandatory CSR (corporate social responsibility) activities under the Bill.

At present, the clause suggests that large companies would have to earmark 2 per cent of their three-year average profit on CSR activities. Although failure to comply by the norm would not attract penal provisions, companies will have to mention in their annual reports the reason behind the non-compliance.

Another clause that has attracted the ire of the Committee was that of disclosures to be made in case of private placement of shares. This particular clause was added after the Committee had already given its report.

Under the clause, the time limit for completing private placement of shares was fixed at 60 days. It also mandated a company to disclose the names and details of people if shares were allotted to more than 49 persons.

In a crucial meeting held late last month, the standing committee had also asked the MCA to explain why rotation of statutory auditors has been fixed at five years instead of maintaining the existing provision under which companies renew contracts with their external auditors every year.

The new legislation seeks to replace the Companies Act, 1956, and modernise corporate practices in line with developments taking place across the globe.

The Bill will introduce new rules like class action suits and a fixed term for independent directors. It also proposes to tighten laws for raising money from the public.

The Bill also seeks to strongly check insider trading by company directors or key managerial personnel by treating such activities as a criminal offence.

Meanwhile, Corporate Affairs Minister Veerappa Moily has expressed confidence that the Bill would be taken up in Parliament for consideration and passage in the forthcoming Budget session.

(Economic Times)