CENTRE FOR CORPORATE LAW
NATIONAL LAW UNIVERSITY ODISHA

MONTHLY NEWSLETTER

#IN SIGHTS

MARCH, 2026

IN THIS ISSUE

The Corporate Laws (Amendment) Bill, 2026: Balance and Reform

ANSHUMAN VIKRAM SINGH (PARTNER, AZB & PARTNERS)
&
NITIN KUMAR VERMA (ASSOCIATE, AZB & PARTNERS)

Introduction

The Corporate Laws Amendment Bill, 2026 ("**Bill**") proposes important changes to the Companies Act, 2013 ("**Act**") and the LLP Act, 2008. The proposed amendments are not intended to be a complete overhaul of the Companies Act, 2013, but to lay out a series of execution-focused reforms to move from data-intensive compliance to outcome and risk-aligned regulation. As on date, the Bill has been introduced in Lok Sabha and referred to a Joint Parliamentary Committee, so its contours may still evolve before enactment and phased notification. In this article, we have presented the key changes proposed in the Bill and what possible implications it could have on businesses.

Why this amendment? Objectives and rationale

The Bill is based largely on the Company Law Committee Report of 2022, and subsequent consultations with stakeholders and professionals, and the 2025 High-Level Committee on Non-Financial Regulatory Reforms. The broad goals are to make compliance easier for companies, update governance and audit rules, and reduce criminal exposure for technical defaults.

Generally bills of such nature are sent to the Finance Committee, however, by sending the Bill to a Joint Parliamentary Committee, the government intends to have detailed discussions on key issues like corporate social responsibility, small-company framework, and the extent of delegated rule-making power. In simple terms, the Bill tries to move the law away from form and paperwork, and towards risk, materiality and outcomes.

Current position: a quick snapshot

Under the present Act framework:

- The small company definition uses upper caps of INR 10 crore for paid-up capital and INR 100 crore for turnover, with a set of relaxations on board meetings, filings and certain fees.
- CSR kicks in when a company crosses net worth, turnover or a net profit of INR 5 crore in a financial year, and comes with detailed rules on committees, policies and use of unspent amounts.
- The language of the Act suggests that AGMs and EGMs are meant to be held physically, while virtual and hybrid meetings have mainly been allowed through MCA circulars issued during COVID-19 and continued since then.
- Buy-backs are capped at 25% of paid-up capital and free reserves, with 1 buy-back per year and affidavit-based solvency declarations.
- Fast-track mergers require 90% approval by members and creditors, and multi-company schemes to be filed before different NCLT benches.
- Valuation is governed by Section 247 of the Act and rules, but there was no single professional body or "valuation authority" to regulate the valuers or methods to be used for undertaking valuations.
- Many technical defaults still carry criminal consequences, even when they are essentially delays or process lapses.

Against this background, the Bill tries to update both the "ease of doing business" side and the "trust and oversight" side of corporate regulation.

Proposed changes: key themes

Small company definition

The Bill has doubled the upper caps in the small company definition such that the paid-up capital ceiling has moved from INR 10 crore to INR 20 crore and the turnover ceiling from INR 100 crore to INR 200 crore.

In effect, it means many more private companies will be able to claim small company status and a less strict regulatory regime on matters such as board meetings, financial statements and additional fees on certain late filings.

Digital meetings and communication

The Bill makes "digital-first" meetings a permanent feature of the Act. Companies may hold AGMs and EGMs in physical mode, virtual mode, or hybrid mode, subject to detailed rules. At the same time, at least one physical AGM must be held once every three years, and fully virtual EGMs can be conducted on shorter notice (with shorter period of seven days, subject to rules).

The Bill also allows certain classes of companies to serve documents only through electronic mode, with an option for members to ask for a different mode on payment of fees. Together, this should reduce the cost and time of meetings and dispatch, while preserving a basic physical meeting safeguard.

CSR - narrower but more targeted

As noted above, CSR related compliances are typically triggered if a Company generates a net profit of INR 5 crore, in addition to net worth and turnover thresholds. The Bill has proposed to raise such net-profit trigger to INR 10 crore or such other amount as may be prescribed, and also raises the CSR committee threshold and gives more time to hold the unutilized CSR amounts in the unspent CSR account. Importantly, it introduces a power to exempt prescribed classes of companies from CSR compliances. The net result is likely to be:

- Fewer mid-sized companies required to comply with mandatory CSR.
- More flexibility for the government to shape CSR through rules.

But it also means CSR becomes more of a large-profit company obligation and less of a broad-based duty.

Executive compensation schemes

The Bill expressly recognises share-linked compensation schemes in addition to ESOPs, such as RSUs and SARs, by referring to schemes "linked to the value of the share capital of a company" in Sections 62 and 42 of the Act. This gives specific reference in the Act to instruments already common in practice, and aligns company law provisions better with SEBI's regime for listed companies in relation to these schemes.

Buy-back flexibility

The present 25% cap of paid-up capital and free reserves remains the base rule, but the Bill allows higher limits for prescribed classes of financially strong companies, and permits up to two buy-backs in one financial year if there is at least a six-month gap between them. Solvency declarations no longer need an affidavit, and breaches move from criminal offences to civil penalties.
For cash-rich, low-debt companies, this creates more room to manage capital structure and return surplus funds, though fine print in the rules will decide how many entities can actually use these flexibilities.

IFSC companies and foreign currency

A new Section 43A is proposed to be inserted which would allow a company set up in an IFSC to issue and maintain its share capital in a permitted foreign currency and to keep its books and financial statements in that currency, subject to conditions. Existing IFSC companies with rupee capital get a time window to convert, and cannot issue fresh capital without doing so.
This change is meant to make IFSC entities work more naturally with foreign currency capital and cross-border deals, though their real attractiveness will still depend on tax, FEMA and sectoral rules.

Fast-track mergers, schemes and exits

Today, fast-track schemes need 90% in value approvals from members and creditors, and multi-entity schemes often require multiple NCLT benches, which is important to consider from time sensitivity for completion of such schemes. The Bill lowers fast-track thresholds to 75% in value of members present and voting and 75% in value of creditors, and sends all schemes to the NCLT bench of the transferee or resultant company.

The Bill also bars companies that have entered IBC liquidation from using schemes under the Companies Act, ending a long-running overlap.

This should make genuine reorganisations faster and cleaner, especially for group restructurings and pre-IPO tidy-ups.

Valuation authority and registered valuers

The Bill names the Insolvency and Bankruptcy Board of India ("IBBI") as a central "valuation authority" for company and LLP valuations. IBBI will handle registration and recognition of valuers, recommend standards and support a more uniform valuation framework across corporate and insolvency contexts.

Section 247 is effectively extended to LLP valuations as well, meaning that partner contributions and LLP assets must be valued under the same basic system as companies. This should improve consistency in valuations used in M&A, related-party transactions and schemes, and it will also raise the bar for documentation and standards expected from valuers.

Directors, independence and decriminalisation

For directors, the Bill:

- Extends the "look-back" period for checking independence to include the current financial year and lets the government lower the 10% revenue test for connected legal or consulting firms.
- Requires independent directors to keep checking their independence throughout their term, not just at appointment.
- Extends cooling-off to group companies and makes clear that additional director time counts towards the maximum term.
- Introduces new disqualifications for those who have recently served as auditors, valuers or insolvency professionals of the company group, and brings in a "fit and proper" test.

On the enforcement side, several technical defaults, such as delays in filings, minor meeting lapses and some buy-back and charge registration issues are moved from criminal offences to civil penalties. A new settlement mechanism allows companies to close penalty proceedings by consent before final orders, and there is a clearer recovery framework for unpaid penalties, including attachment powers.

This shift should make clean-up of existing erstwhile issues easier in deals and reduce fear of criminal prosecution for process lapses, but penalty amounts in some areas may be too low to strongly deter risky behaviour, especially in disclosure-heavy areas.

The table below gives a simple comparison of the current law and the Bill on certain high-impact items:

THEME	CURRENT LAW	PROPOSED BILL, 2026
'Small company' definition	Paid-up capital up to INR 10 crore; turnover up to INR 100 crore (upper caps).	Upper caps doubled: paid-up capital up to INR 20 crore; turnover up to INR 200 crore, bringing more companies into the small company regime.
CSR net profit trigger	CSR triggered at net profit of INR 5 crore or more, alongside net worth/ turnover thresholds.	Net profit threshold raised to INR 10 crore (or such other amount as prescribed), narrowing the CSR net-profit based applicability.
Buy-back limits and frequency	Buy-back capped at 25% of aggregate of paid-up capital and free reserves; only one buy-back in a financial year.	For prescribed classes, higher buy-back percentage may be notified; up to two buy-backs in a year with 6-month gap between offers.

The table below gives a simple comparison of the current law and the Bill on certain high-impact items:

THEME	CURRENT LAW	PROPOSED BILL, 2026
Fast-track mergers	Member and creditor approval thresholds at 90% in value; separate NCLT benches for each company involved.	Approval thresholds reduced to 75% in value for members present and voting and creditors; single NCLT bench of transferee/resultant company.
AGMs/EGMs format	Statute primarily prescribes physical meetings; VC/hybrid meetings permitted through MCA circulars.	Companies may hold AGMs/EGMs physically, virtually or in hybrid mode with one mandatory physical AGM once in three years; shorter notice for fully virtual EGMs.

What does the change mean for businesses?

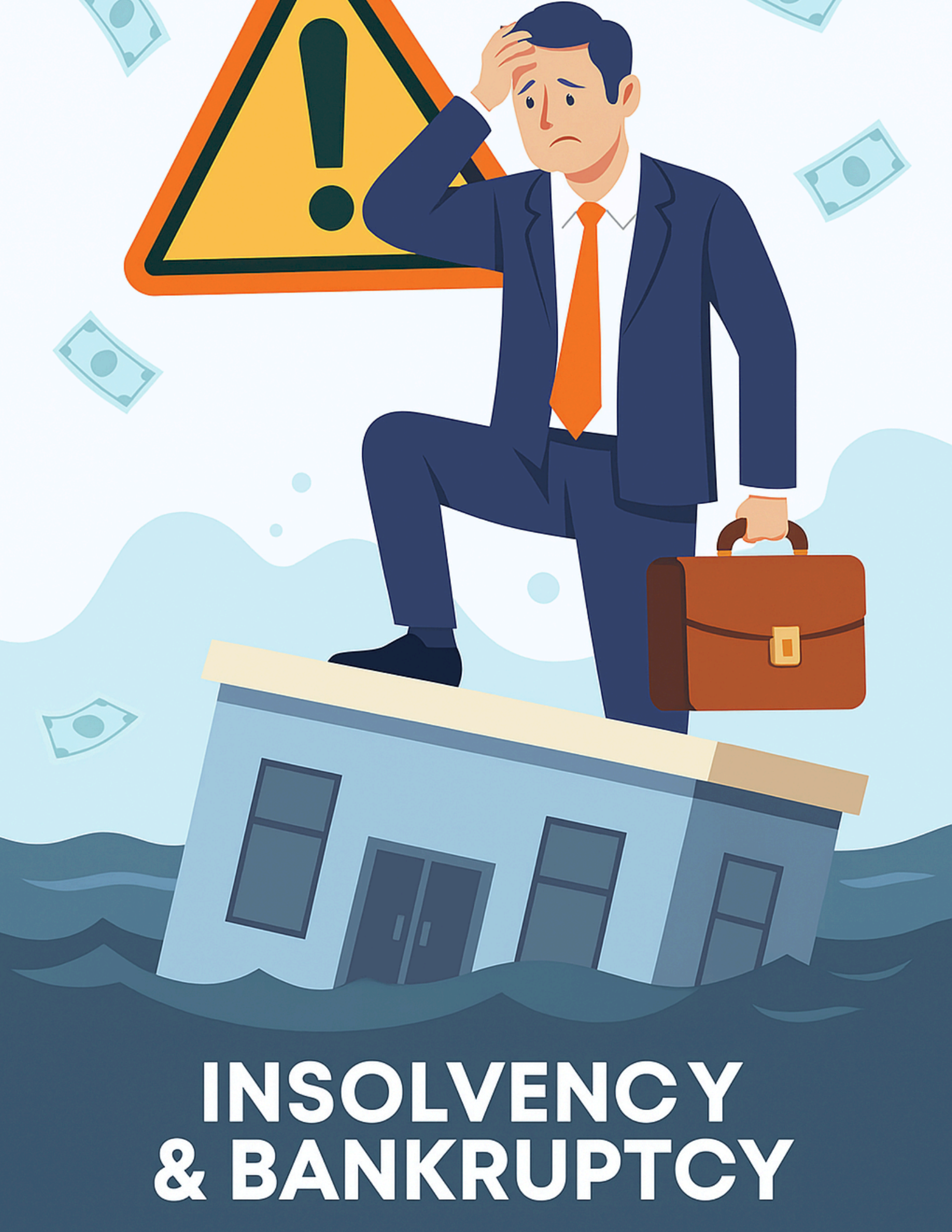
For private companies, especially promoter-driven and growth-stage entities, the combination of a wider small company band, higher CSR net-profit trigger, easier strike-off and more flexible financial year alignment means less compliance load and more room to focus on operations. For listed and large unlisted companies, the story is more mixed: they benefit from digital meetings, faster schemes and clearer decriminalisation.

Investors and acquirers gain from shorter timelines, single-bench NCLT control of group schemes, and a settlement route for old technical offences. Across the board, boards and company secretaries will have to keep a close eye on the rules that will follow the Act, since many key points: buy-back limits, CSR exemptions etc. are left to delegated legislation.

Conclusion

The Corporate Laws Amendment Bill, 2026 is best seen as a maturity step rather than a revolution in Indian company law. It eases the compliance requirements for smaller and compliant companies, tightens oversight where public interest is high, and brings more common sense into how we treat technical mistakes. At the same time, it pushes boards, auditors, valuers and advisors to raise their own standards and to treat governance and disclosure not just as a box-ticking exercise but as central to business trust.

If enacted broadly in its present form, the Bill will reward companies that invest early in strong internal systems and transparency, and it will make it easier to regularise historic issues in transactions without carrying the baggage of criminal proceedings. It also offers a useful insight into how the government is trying to balance ease of doing business with accountability in a more complex and globalised corporate environment.


INSOLVENCY
& BANKRUPTCY

The Insolvency and Bankruptcy Board of India ("IBBI") has amended the Insolvency and Bankruptcy Board of India (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations, 2026 ("2026 Regulations"). [Link]

The IBBI has notified the amended 2026 Regulations under the Insolvency and Bankruptcy Code, 2016. The 2026 regulations primarily seek to enhance the transparency and the reliability of valuation in the Pre-Packaged Insolvency Resolution Process (**"PPIRP"**).

In the earlier PPRIRP framework, the Resolution Professional (**"RP"**) was required to appoint only two registered valuers, who would independently determine the fair value and liquidation value of the corporate debtor. The final value was taken as the average of their estimates. However, this system lacked uniformity and led to the undervaluation of assets.

One of the major changes is in the definition of "fair value." It now clearly includes the realistic value of the company or its assets if they were sold in the market in an arm's length transaction between a willing buyer and seller, without compulsion, after proper marketing. Further, this value must now include not just individual assets, but also the tangible and intangible assets that constitute the underlying synergies.

Regulation 38 of the 2026 regulations mandates the appointment of two separate sets of registered valuers. Each set will comprise one registered valuer for each asset class of the corporate debtor. Within each set, one valuer is designated as a "coordinating valuer" by the RP. The role of the coordinating valuer is to aggregate the individual asset values and calculate the company's total value.

The process of valuation has also been made more structured under Regulation 39. Valuers are now required to physically verify the inventory and the assets of the Corporate Debtor. They must send a report to the RP and their coordinating valuer, and also explain the method they use to calculate the value to the Committee of Creditors before the finalisation of their reports.

The final fair value is to be computed as the average of the estimates provided by the coordinating valuers, while the liquidation value is to be calculated from the average of the estimates submitted across asset classes.

The 2026 regulations are likely to make the valuation process in the PRIRP more reliable. By using a clearer method for calculating fair and liquidation value, the chances of inconsistent estimates will be reduced. The requirement of physical verification and detailed explanations will also increase accountability among valuers and build greater trust in the PPRIRP framework.

SECURITIES LAW

Ministry of Finance ("MoF") notifies the Securities Contracts (Regulations) Amendment Rules, 2026. [Link]

Through a notification dated 13th March, 2026, the MoF has notified the amendment to the Securities Contracts (Regulations) Rules, 1957 (**"1957 Rules"**), making major changes to Rule 19 (2)(b) that deals with public offer norms for Companies desirous of being listed.

Earlier, a public company applying for getting its securities listed on a recognized stock exchange had to ensure that at least 25% of each class of equity shares or debentures (convertible into equity shares) issued by the company was offered and allotted to public in terms of the offer document. Alternatively, atleast 10% of securities issued by the company were offered and allotted to public if the post-issue capital of the company calculated at offer price was more than Rs. 4,000 crores.

With the amended Rules, the minimum offer and allotment to the public in terms of offer document will depend on the capital of the company.
Further, the applicant companies are also required to maintain a certain percentage of public shareholding based on their post issue capital. They are required to list their equity shares with superior voting rights along with ordinary shares on the same stock exchange.

This amendment is in line with the recent trend of providing threshold-based criteria instead of a one-size fits all approach. The amendment incentivizes listing of companies in India, rather than seeking foreign investments due to the reduced pressure to dilute shareholding. It also provides different timelines for achieving certain public shareholding percentage, making the market more predictable and enabling better planning by companies.

Supreme Court ("SC") holds that use of funds raised through preferential allotment for undisclosed purposes constitutes fraud and cannot be cured by ratification of shareholders [*Securities and Exchange Board of India ("SEBI") v. Terrascope Ventures Limited Etc.*]. [Link]

The SC has declared that the use of proceeds of preferential allotment for purposes, other than those which were disclosed to the investors, would amount to fraud. Further, subsequent post-facto ratification by shareholders cannot cure such violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

Earlier, there was no clarity on the power of shareholder's ratification to correct defects as such. Usually, it was understood that if certain actions fall within the purview of the Memorandum of Association (**"MOA"**), then utilization of funds for such purposes was legal. However, the question of diversion of funds to unstated purposes had not been addressed.

In this case, SC noted that the prompt use of proceeds for undisclosed purposes shows presence of such intention ab initio. It was also noted that if such actions of the companies were allowed, the purpose of the statutory mandate to notify the objectives of issue would be defeated. The court also rejected the reasoning that shareholders could ratify such action. In this regard, the it was noted that statutory obligations, made for public interest cannot be waived off by agreement. Therefore, the court noted that the shareholders could not ratify since it was unlawful from the beginning.

The decision of the court respects the need for maintaining predictability and trust of investors in the market. The judgment ensures transparency and fair disclosures in issue of securities. The decision also reiterates that an ultra vires or illegal act of company cannot be ratified, reinforcing the boundaries of activities of a company. Additionally, the judgment also crystallizes the need for procedural integrity in decisions of companies, especially in cases which deal with public interest.

SEBI clarifies framework governing intraday borrowing by mutual funds. [Link]

SEBI, through its circular dated March 13, 2026, has provided regulatory clarity on intraday borrowing by mutual funds, notified under the SEBI (Mutual Funds) Regulations, 2026. It has confirmed that such borrowings will not be counted towards the prescribed borrowing limits.

Intraday borrowing by mutual funds refers to the short-term borrowing undertaken within a single day to manage temporary cashflow mismatches. Under the previous SEBI (Mutual Funds) Regulations, 1996, mutual funds were allowed to borrow only to meet temporary liquidity requirements like redemption payouts or distribution obligations. Such borrowing was subject to a cap of 20% of net assets and a duration of maximum six months. The framework, however, did not distinguish between intraday borrowing and longer-duration borrowing, overlooking the operational need for short-term funding to address mismatches between cash inflows and outflows.

The SEBI (Mutual Funds) Regulations, 2026 which is set to come in effect from April 1, 2026, retains the borrowing cap and duration but expands the permitted purposes to include settlement of trades by equity-oriented index funds and Exchange Traded Funds (**"ETFs"**). Under Regulation 42(2) it specifies that such limit would not apply to intraday borrowing. SEBI through its circular acknowledged the same and clarified that intraday borrowing arrangements with banks may continue by mutual funds to address their operational requirements.

The clarification by SEBI reflects its recognition of operational realities within the mutual fund industry. By explicitly removing the cap from intraday borrowings, it has removed uncertainty that has long surrounded a practice already prevalent in the industry. The removal of caps allows smoother operation of funds without altering underlying risk limits. Moving forward, AMC can continue relying on such arrangements to address their cash mismatches while ensuring that long-term borrowing remains within the limit. This supports both liquidity efficiency and regulatory compliance.

SEBI approves amendments to Alternative Investment Fund ("AIF") Framework to enhance flexibility in winding up of schemes. [Link]

SEBI, pursuant to its board meeting held on March 23, 2026, has approved amendments to the SEBI (Alternative Investment Fund) Regulations, 2012. The amendments have introduced flexibility in winding up and the surrendering registrations of AIF schemes. It permits retention of liquidation proceeds beyond the prescribed fund life in specific circumstances and introduces a framework for classifying certain AIFs as "inoperative funds" with reduced compliance obligations.

Regulation 29(7) of the AIF Regulations required that upon the expiry of an AIF scheme's term, all assets were to be liquidated within a one-year liquidation period and the proceeds to be paid to the investors, after satisfying all liabilities. Regulation 29(11) further required that the AIF had to hand over its certificate of registration to SEBI on winding up, with a statement of a bank account evidencing a zero balance. This framework offered regulatory certainty but failed to consider practical scenarios where complete liquidation within the stipulated time was rendered impossible due to pending litigation, tax demands or unresolved operational expenses. This left AIF schemes with no regulatory response to such eventualities.

SEBI's Board has now approved the amendments that permit AIF schemes to retain funds beyond their permissible fund life in three specific circumstances.

The circumstances are *firstly*, where the scheme has received a receipt of litigation, tax or regulatory demands; *secondly* with the consent of investor (75% by value) for meeting potential liabilities arising from such tax or litigation matters; and *thirdly*, for retention of funds for meeting operational expenses provided that such retention is backed by supporting documents and does not exceed three years from the close of the permissible fund life. AIF schemes falling under any of these conditions shall be classified as "inoperative funds", allowing reduced compliance requirements.

These developments signal a move towards more flexible regulation and relative compliance in the AIF regime, especially in the case of fund wind down. SEBI has facilitated a more realistic closure process by identifying practical obstacles like unresolved lawsuits and outstanding debts and ensuring the protection of investors. The provision of an “inoperative fund” category is another indication of a shift towards the compliance requirements being set in regards to the actual activity of funds, which can reduce the administrative burden while ensuring regulatory oversight remains aligned with risk.

COMPANY LAW

Key structural reforms across Limited Liability Partnerships ("LLP") and Companies introduced in the Corporate Laws (Amendment) Bill, 2026 ("the 2026 Bill"). [Link]

The Ministry of Corporate Affairs introduced the 2026 Bill proposing wide-ranging amendments to the Limited Liability Partnership Act, 2008, and the Companies Act, 2013. The Bill is aimed at harmonising corporate regulation with large-scale business models, especially in the environment of International Financial Services Centres (**"IFSC"**), while rationalising the compliance and governance frameworks. Prior to the Bill, the LLP and Company Law model had been more domestic-focused with minimal consideration of incorporation with the IFSC specific regulatory framework. The LLPs were unable to operate in IFSCs, particularly in foreign currency dealings, valuation standards, and regulatory oversight. Equally, conversion systems were also minimal, and there was no explicit guideline on the conversion of trusts regulated by Securities and Exchange Board of India or IFSC authorities into a form of LLP.

The 2026 Bill suggests a new IFSC-linked structure for LLPs, including statutory recognition of "Specified IFSC LLP", compulsory presence of IFSC, and authorization to keep accounts and contributions in foreign currency. It also applies the valuation provisions of Section 247 of Companies Act to LLPs and also allows conversion of certain specified trusts to LLPs, in order to transfer assets, liabilities and rights of contract without any difficulties.

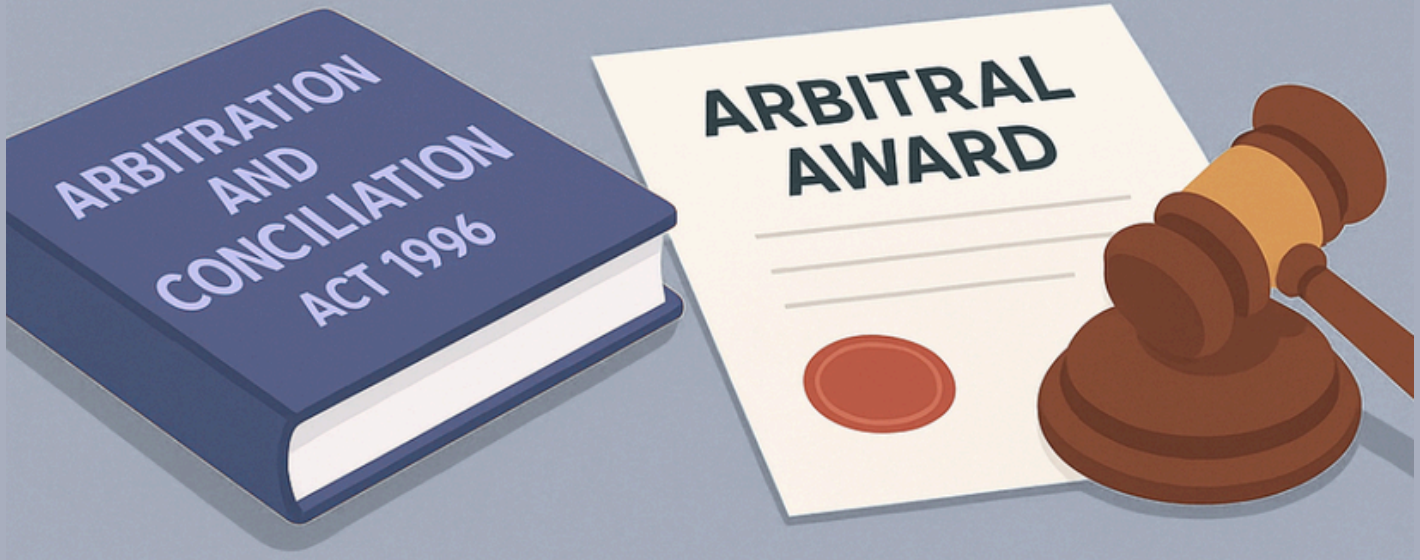
For Companies, the Bill presents focused definitional and structural changes, such as recognition of "registered valuers" and "Regional Directors", and a radical change in the threshold of qualifying as a small company to Rs 20 crore paid-up capital and Rs 200 crore turnover respectively from Rs 10 crore and Rs 100 crore respectively. The Bill also introduces a calibrated relaxation in the Corporate Social Responsibility (**"CSR"**) framework. It increases the net worth threshold for CSR applicability from Rs 5 crore to Rs 10 crore and extends the timeline for transferring unspent CSR amounts to specified funds from 30 days to 90 days. Further, it enables the Central Government to exempt certain classes of companies from CSR compliance, indicating a shift towards a more targeted and proportionate application of CSR obligations.

The 2026 Bill marks a shift from the regulation of corporates to a digitised, efficient on compliance, and globally aligned approach. LLPs operational in IFSCs will now be able to operate in a more transparent statutory regime, tailored to transnational financial business, with broader conversion opportunities that increase structural flexibility. It is a conscious change of policy to a more functional regulation where compliance thresholds are set based on the type of operations and not by legal form only. The addition of LLPs to the IFSC ecosystem is an indication of appreciation of LLPs as a good vehicle of international financial services.

Concurrently, the growth of digital governance requirements and professional responsibility on incorporation is a shift to front-loaded compliance in which regulatory assurance is instilled at the entry stage and not applied retrospectively.

Although the ease of doing business and global competitiveness are facilitated by the provisions in the 2026 Bill, its successful implementation will be pegged on the articulated subordinate legislation, especially in the definition of categories of companies that are required to assume digital governance and provisions on LLP specific to IFSC operations. An approach of calibration in rule-making will be necessary to the effect that increased flexibility does not end up as interpretational uncertainty or even top-sided compliance tests.

ARBITRATION LAW



SC rules that mere participation in arbitral proceedings does not bar a party from challenging the arbitral tribunal's inherent lack of jurisdiction [*M/s Bharat Udyog Ltd. v. Ambernath Municipal Council through Commissioner & Anr.*] [Link]

Recently, the SC held that in the absence of a valid arbitration agreement between the parties, there is no estoppel against the parties to challenge the jurisdiction of the tribunal even if they participate in the arbitral proceedings.

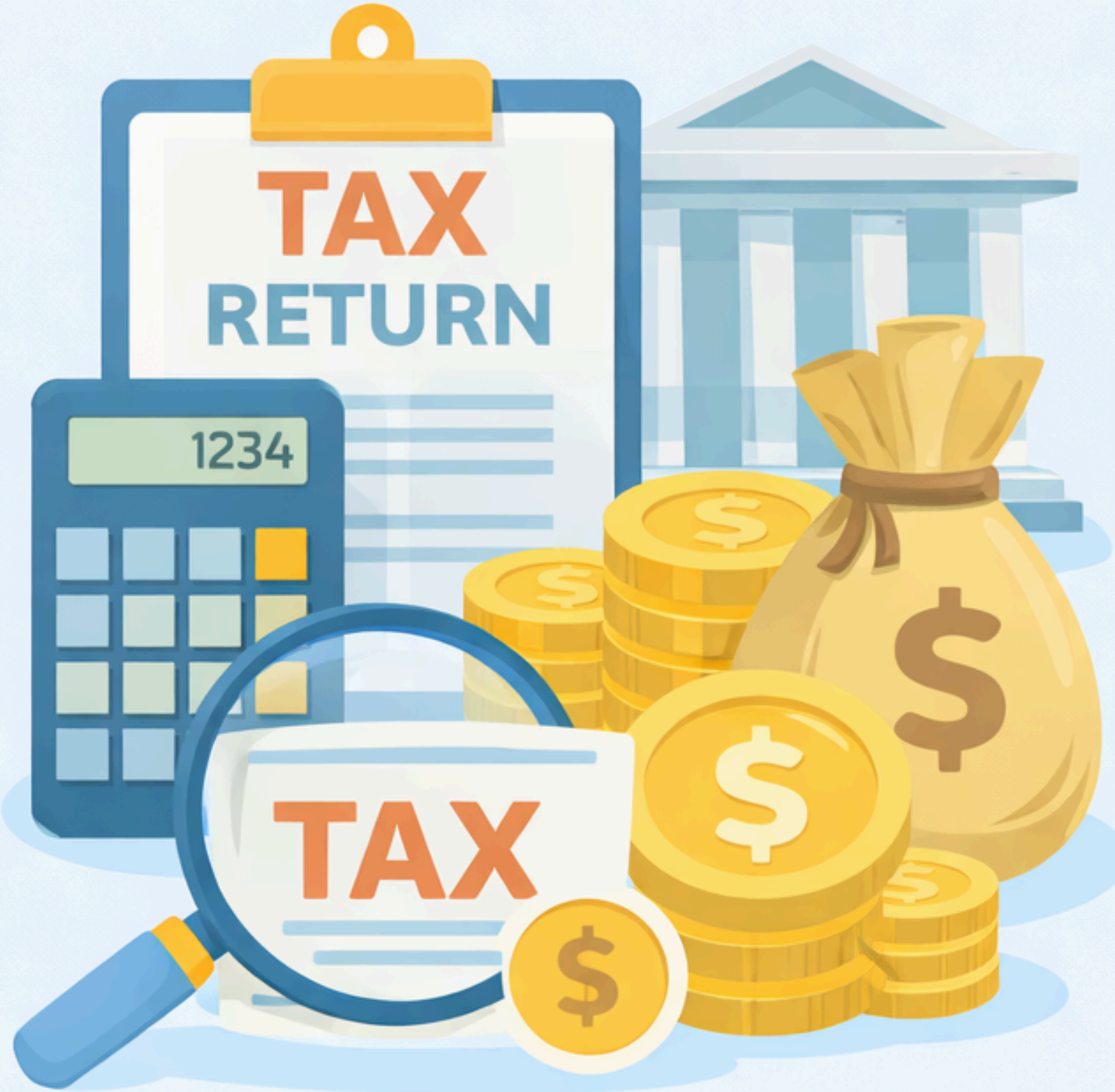
Earlier, the law maintained that active participation in arbitral proceedings would mean taking a chance to get a favorable judgment implying consent to abide by the proceedings' outcome. The parties therefore, waive off their right to challenge the award based on jurisdictional grounds if they participate in the proceedings.

In this case, the SC noted that in the absence of consensus ad idem for creating a binding arbitration agreement, there was no valid arbitration agreement. Following this, the appointment of any arbitrator would inherently lack jurisdiction and make the entire proceedings null and void. This defect of jurisdiction cannot be cured by mere participation of the parties.

Through this judgment, the SC upheld the essential principle of party autonomy in giving primacy to consent. Apart from establishing a new position of law, the SC also discouraged the State's acts of unilateral appointments and meddling with public tender conditions through back-door methods. Attention was also given to the quality of arbitral proceedings; however, it did not take center stage.

Although the scope of challenge to jurisdiction is clear in the context of absence of a valid arbitration agreement, the law is still unclear on whether the same position would apply in presence of a valid arbitration agreement.

TAXATION LAW



The Central Board of Direct Taxes ("CBDT") expands the Common Reporting Standard ("CRS") to crypto, central bank digital currencies ("CBDCs"), and E-money. [Link]

The CBDT, via a notification dated 5 March 2026, amended Rules 114F, 114G and 114H of the Income Tax Rules, 1962 to expand India's CRS Framework. The amendments will apply retrospectively from 1 January 2026. It introduces new categories of reportable financial assets, such as crypto assets, CBDCs, and specified electronic money products. The notification also enhanced due diligence and reporting obligations for financial institutions.

In the past, the CRS structure was mainly built around the conventional financial accounts such as bank accounts or custodial accounts. The previous framework was weakened by the fact that it relied on the classification of forms, leaving the digitally native assets such as crypto and e-money out of the framework.This formed regulatory loopholes in which a great deal of financial action may be undertaken without any attendant reporting requirements. This architecture has been greatly extended in the notification through the adoption of a functional definition of financial assets.

The reporting and due diligence system is also enriched by the amendments. Financial institutions that are required to report now need to include other layers of information, such as whether there are valid self-certifications, whether the accounts are held or opened in joint accounts and the position of the controlling persons in the structures of entities. The due diligence procedure is also similarly increased with the conditions of acquiring taxpayer identification numbers and dates of birth under certain circumstances, and the equal procedures are imposed under the situation when anti-money laundering regulations do not require collecting such data. Meanwhile, the regulations provide structural carve-outs, such as the inclusion of qualified non-profit organizations and omission of some capital formation stories, so as to avoid over-inclusion in the reporting net.

One prominent characteristic of the amendment is that it aligns with new international standards, most especially, the Crypto-Asset Reporting Framework of the Organisation for Economic Co-operation and Development **("OECD")**. The regulations explicitly avoid duplication since they exclude transactions that have already been reported on parallel crypto-reporting systems. This is an attempt to incorporate various reporting regimes into a harmonious compliance framework as opposed to fractious imposition of obligations.

The inclusion of the term 'relevant crypto assets' within the meaning of 'financial assets' is also another significant step in the direction of introducing crypto assets into the reporting ecosystem. Conversely, this growth is coupled with focused exclusions, e.g., low-value accounts of the e-money that fall short of USD 10,000 (according to a rolling threshold). This implies a measured attitude towards compliance burdens.

Collectively, the notification signals a clear shift in a bank-centric reporting regime to a technology-neutral framework that will be able to measure value in digital financial ecosystems. The long term value of the amendment is that it attempted to create an integrated, data-intensive reporting structure that provides a balance between administrative visibility and compliance efficiency in an ever-more digitalised financial environment.

MISCELLANEOUS

India softens restrictions under Press Note 3 to enable minority investments. [Link]

India has recently amended its 2020 Press Note 3 framework, relaxing the Foreign Direct Investment Rules for neighbouring countries, especially in terms of minority investments. With this, the government aims to balance national interests while enabling the inflow of capital.

Earlier, in April 2020, during the COVID-19 pandemic, India introduced Press Note 3 as a protective measure, requiring any direct or indirect investment from border-sharing countries to take prior government approval. This was done to avoid business takeovers during periods of economic downfall. However, this resulted in a restrictive rule with even small, non-controlling investments requiring approval, which led to delays and uncertainty in cross-border activities, particularly for private equity and venture capital.

These amendments bridge this gap, with the creation of a limited automatic route for minority investments as the key change. Now, non-controlling beneficial ownership of up to 10% from border-sharing countries do not require prior approval, subject to certain sectoral conditions and reporting of relevant information to the Department for Promotion of Industry and Internal Trade. Further, the government has defined what is meant by the term beneficial ownership, which refers to natural persons who own an entity, determined by prescribed ownership or control thresholds. The test is applied at the investor level, focusing on who exercises actual control rather than merely the immediate owner. By aligning it to the established framework, the government brings the much-needed clarity and reduces compliance burden for investors and funds with diversified ownership structures.

Most importantly, this relaxation is only for minority, non-controlling stakes, with direct investments from land-sharing countries continuing to require approval. This ensures that the control remains with the Indian businesses. Moreover, a time-bound approval system of 60 days has also been established for sectors of manufacturing in capital goods, electronic capital goods, electronic components, polysilicon and ingot-wafer, thus reducing delays where scrutiny is necessary.

In conclusion, this shift could help revive cross-border deal activity, which had slowed under the earlier regime. At the same time, it remains both cautious and open by preserving India's strategic safeguards while ensuring that control does not shift outside domestic hands. With effective implementation, this could enhance investor confidence and reinforce India's position as a stable destination for global capital.

#IN SIGHTS

Contributors

Aditya Danturty
Amritanshu Rath
Anindita Saha
Gauri Dudeja
Manya Bansal
Paavanta Arya
Pradhyumn Singh Khangarot
Saumya Joshi
Shreya Tiwari
Shubham Singh
Soumya Dubey
Surbhi Goyal

Contact Us

A special thanks to Anshuman Vikram Singh & Nitin Kumar Verma for writing for this edition of **#INSIGHTS**