

## **Business » Companies**

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### **Cabinet approves Companies Bill, 2011**

Special Correspondent

*Will streamline corporate sector: India Inc*

The Union Cabinet on Thursday approved the Companies Bill, 2011, a move that will help improve efficiency and increase accountability of the corporate sector. “The Cabinet has cleared the Companies Bill, 2011...it is likely to be tabled (for consideration and passage) in the ongoing winter session,” a Corporate Affairs Ministry official told journalists after the Cabinet meeting.

Once passed, the new Act will update the company law in line with the best global practices and introduce new ideas such as corporate social responsibility (CSR), class action suits and a fixed term for independent directors. The Bill also proposes to tighten laws for raising money from the public besides prohibiting any insider trading by company directors or key managerial personnel by treating such activities as a criminal offence. It will also make mandatory for companies to earmark 2 per cent of their average profit of the preceding three years for CSR activities and make a disclosure to shareholders about the policy adopted in the process.

The Bill, which will replace the decades old Act, has already been vetted by the Parliamentary Standing Committee of Finance and also by various ministries concerned. The Bill was originally introduced in Lok Sabha in 2008, but lapsed because of change of government. It was reintroduced in August 2009.

Welcoming the move, India Inc has said the new law would streamline the corporate sector. “The Bill has been through various iterations and industry anxiously awaits a new corporate law that would lay stress on responsible self-regulation. The new company law is expected to be more streamlined and facilitative than the existing 55 year-old Companies Act, it seeks to replace,” CII Director General Chandrajit Banerjee said.

**Keywords:** [Companies Bill 2011](#), [Securities and Exchanges Board of India](#), [corporate sector](#), [India Inc](#), [corporate social responsibility](#)

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