



Paving the Way for Progress:

A Comprehensive Overview of the
Companies Bill's Key Amendments

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In a significant move, Parliament passed the new Companies Bill on 05th December 2023, ushering in a new era for business regulations. The updated legislation focuses on streamlining the formation, registration, and dissolution processes of companies, with the primary objective of removing barriers to economic growth. This forward-looking bill aligns with best practices observed in major economies, reflecting a comprehensive overhaul of our existing Companies Act, which has been in force since 1996.

Here are some key amendments that come with this transformative change:

Single Shareholder Companies:

The new bill removes the requirement for at least two shareholders for the formation of a private company, making it easier to establish a single shareholder company.

Simplified Public Companies:

The need for at least 10 shareholders or promoters when forming a public company is eliminated, facilitating the creation of single shareholder companies. The Financial Securities Act Enforcement Authority gains enhanced powers to regulate businesses and investment companies, ensuring compliance and standardized practices.

Flexible Board Structures:

Shareholders are no longer obligated to serve as directors, allowing for the appointment of professional directors to manage companies on behalf of shareholders. This change enhances corporate governance and operational efficiency.

Efficiency Measures:

Various bureaucratic requirements are streamlined, such as eliminating the need for a private company to have a secretary and making company seal optional.

Removal of Company Annual Fee:

The bill abolishes the annual company fee, introducing a service-based fee system for services provided by the Ministry on behalf of companies.

Member Rights Clarification:

The rights and powers of company members are clearly defined, providing protection for investments. The bill mandates the disclosure of beneficial ownership information for shares held by non-individual members.

This new legislation aims to create a favorable environment for businesses, encouraging investment for economic productivity, managing risks, and delivering economic and social benefits. By modernizing legal concepts and principles, this Companies Bill propels our legal system into the future, aligning with contemporary needs and aspirations.

Upon the President's ratification, the Companies Bill is set to take effect on January 1, 2024.

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