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Decoding the MCA's Recent Amendments on Corporate Compliance and Reporting

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The Ministry of Corporate Affairs enacted amendments to the Companies Act 2013 and related rules, effective from 14 July 2025, to raise corporate compliance, transparency, and social accountability. These amendments encapsulated in the Companies (Accounts) Second Amendment Rules, 2025, Audit and Auditors Amendment Rules, 2025, Cost Records and Audit Rules 2025, Registration Offices and Fees Rules 2025, Management & Administration Rules 2025, and the Filing of Documents in XBRL Rules 2025 introduce enhanced disclosures (particularly on workplace ethics such as sexual harassment and maternity benefit compliance), digitisation of filings via e-Forms and machine-readable extracts, stricter procedural mandates, and higher penalties. The paper critically examines these amendments, their rationale, operational implications, compliance challenges, and the longer-term impact on corporate governance and stakeholder trust.

Keywords: corporate governance, regulatory compliance, transparency and disclosure.

INTRODUCTION

In recent years, corporate governance in India has seen a paradigm shift with the central government emphasising digitisation, data-driven oversight, and social accountability. The

Ministry of Corporate Affairs (MCA),¹ the primary regulatory authority under the Companies Act 2013², has played a key role in enacting reforms to bring Indian corporate practices in line with international standards. The May 2025 notified amendments, effective from 14 July 2025, are one of the most comprehensive revamps in recent history to enhance procedural adherence and substantive clarity. These changes are not technical fixes in isolation; they herald a wider regulatory mindset emphasising quantifiable accountability, real-time regulatory data, and digital regime enforcement infrastructure.

These amendments address age-old problems within the Indian corporate compliance landscape. Traditionally, the filing system was PDF-dominant and entailed static paperwork, making data analysis challenging. Therefore, it became hard to enforce laws pre-emptively or promptly spot anomalies by regulators. In addition, as much as workplace-related legislation like the Sexual Harassment of Women at Workplace Act, 2013,³⁴ and the Maternity Benefit Act 1961, corporate-level enforcement was weak because of the absence of required disclosures. The recent actions by the MCA are aimed at filling this compliance gap by incorporating statutory requirements directly within the corporate reporting framework to instil workplace ethics and gender sensitivity into the legal construct of business governance.

MANDATORY SOCIAL COMPLIANCE DISCLOSURES

One of the most noteworthy changes under the Companies Second Amendment Rules, 2025,⁵ is the introduction of mandatory disclosures relating to workplace safety and inclusivity in the Board's Report. Under the amended Rule 8(5),⁶ every company must disclose the number of sexual harassment complaints received during the financial year, the number of complaints disposed of, and any complaints pending for more than 90 days. The report must also include actions to address such complaints and steps initiated by the Internal Complaints Committee (ICC). This measure is a direct response to years of limited enforcement of the POSH Act. By

¹ 'Pvt. Ltd. ROC Compliance AMC' (*Time to Legal*) <<https://timetolegal.com/pvt-ltd-roc-compliance-amc/>> accessed 09 June 2025

² Companies Act 2013

³ Sexual Harassment of Women at Workplace Act 2013

⁴ Adv. Rupa Agrawal, 'Things to Know About Sexual Harassment Of Women at Workplace Act 2013' (*Ezy Legal*) <<https://www.ezylegal.in/blogs/things-to-know-about-sexual-harassment-of-women-at-workplace-act-2013>> accessed 09 June 2025

⁵ Companies Second Amendment Rules 2025

⁶ Companies Second Amendment Rules 2025, r 8(5)

mandating these disclosures in public filings, the MCA is operationalising the Act's principles through the Companies Act framework, ensuring companies internalise gender justice and workplace safety as essential elements of governance.

The amendments also require companies to affirm their compliance with the provisions of the Maternity Benefit Act, 1961.⁷⁸ This includes confirmation of benefits such as maternity leave, provision of nursing breaks, and the availability of crèche facilities by Section 11A of the Act.⁹ The gender-wise bifurcation of the company's total employee strength also becomes mandatory. This compels businesses to track and assess gender balance in their employee base and can be a harbinger of future legislative standards on diversity and inclusion. These disclosures drive transparency and bring Indian company law in line with international ESG standards, wherein social governance, gender balance, and safe workplaces are material factors for investors and regulators alike.

TRANSITION TO STRUCTURED AND DIGITISED COMPLIANCE

The amendments represent a colossal change from traditional, unstructured filing of compliance from hand to structured, machine-readable forms. The new regime introduces the electronic filing of the Board's Report extract and Auditor's Report extract in structured forms such as XML or XBRL. While the traditional signed PDF version of these documents is still required for authenticity and audit trail purposes, the accompanying machine-readable extracts allow for regulatory processing using algorithms and AI tools. This represents a departure from the way compliance data is typically consumed—by both humans and machines—and marks the government's increasing reliance on data analytics for regulatory enforcement.

Forms such as AOC-1 (disclosures on subsidiary accounts) and AOC-2 (details of related party transactions) must now be submitted via structured e-Forms on the MCA V3 portal, replacing the older format of uploading scanned PDFs. This enhances data consistency, avoids interpretation errors, and allows the MCA to seamlessly integrate filings with data from other government departments such as the Income Tax Department or the GST Network. These

⁷ Maternity Benefit Act 1961

⁸ 'Maternity Benefit Creche Facility' (*Turbo Comply*) <<https://www.turbocomply.com/maternity-benefit-creche-facility/>> accessed 09 June 2025

⁹ Maternity Benefit Act 1961, s 11A

digitised filings also reduce redundancy, improve accuracy, and bring Indian companies closer to real-time compliance architecture as seen in advanced economies.

REVISED AUDIT AND COST AUDIT FILINGS

Apart from compliance at the level of operations, the MCA has also attempted to strengthen procedural strictness in auditing and financial reporting. As per the Companies (Audit and Auditors) Amendment Rules 2025¹⁰, filing Form ADT-4, which deals with auditor resignation, is strictly limited to electronic filing through the V3 portal. Prior mechanisms, such as email or postal submission, are now invalid, ensuring that auditor resignations are immediately traceable in the MCA database. Any patterns of concern—such as frequent early resignations can be flagged for investigation.

Also, under the Companies (Cost Records and Audit) Amendment Rules 2025,¹¹ the cost audit applicability threshold turnover has been increased to ₹75 crore. This will ease the burden on small businesses while directing regulatory focus to medium and large-sized companies where financial misreporting can be more effectively addressed. The amendment also adds a requirement for a mandatory audit trail in accounting software, so all changes to accounting entries will be documented with a timestamp and user identifier. This follows international forensic accounting best practices and will make it enormously more difficult for financial fraud or manipulation.

Revised forms such as CRA-2 and CRA-4 now demand additional disclosures such as AGM extension dates, auditor consent letters, and precise filing timelines. The overarching objective is to ensure that cost audit, a key component of pricing transparency and competitive regulation, is enforced with integrity and is free from procedural lapses.

STREAMLINED FILING THROUGH UPDATED REGISTRATION AND MANAGEMENT RULES

The Companies (Registration Offices and Fees) Amendment Rules 2025¹² drastically amend the format of Form GNL-1, which is generally employed for filing documents that do not fall under

¹⁰ Companies (Audit and Auditors) Amendment Rules 2025

¹¹ Companies (Cost Records and Audit) Amendment Rules 2025

¹² Companies (Registration Offices and Fees) Amendment Rules 2025

any standard form. The new rules mandate that companies clearly state the precise objective of filing (e.g., extraordinary resolution, application for compounding, or order of NCLT), add explanatory notes, and upload board resolutions. Such specificity eliminates the abuse of GNL-1 for ambiguous filings and speeds up examination by Registrar officials. In parallel, the Companies (Management and Administration) Amendment Rules, 2025,¹³ revise forms such as MGT-7, MGT-7A, and MGT-15, which are used for filing annual returns and meetings. These forms must now be submitted in web-based formats with integrated location metadata, photographs of the registered office, and categorised shareholder data. Such granular requirements improve authenticity and allow regulators to identify shell companies or fictitious filings more effectively.

STRENGTHENED ENFORCEMENT AND PENALTIES

Alongside procedural reforms, the MCA amendments signal a clear intention to penalise misreporting or non-compliance more effectively. Under Sections 448 and 449 of the Companies Act 2013,¹⁴ the penalties for submitting false information or tampering with evidence have been significantly enhanced. Deliberate misstatements in any of the new filings—whether in disclosures related to POSH, maternity benefits, audit trails, or XBRL reports—could attract penalties ranging from ₹5 lakh to ₹25 lakh, along with imprisonment of up to seven years for responsible officers. These provisions are intended to serve as a strong deterrent and prevent firms from treating compliance filings as mere formalities.

The new electronic filing design is also linked with PAN, GSTIN, and DIN databases, allowing real-time cross-matching. Any discrepancy in company filings and financial disclosures to other regulators can trigger instant red flags and suo motu examinations. This strategy reflects a movement from passive to active regulatory enforcement, based on structured data and real-time monitoring instead of tardy scrutiny.

IMPLEMENTATION CHALLENGES

Though these innovative reforms create heavy burdens on firms, particularly small and medium enterprises, migration to formats readable by machines involves implementing compatible

¹³ Companies (Management and Administration) Amendment Rules 2025

¹⁴ Companies Act 2013, s 448-449

compliance and accounting software, which can be expensive for smaller companies.¹⁵ Moreover, internal departments, particularly HR and legal, must be trained to compile accurate data on social compliance indicators such as sexual harassment complaints and maternity entitlements. The requirement of audit trails necessitates investment in ERP software and cybersecurity frameworks that smaller companies may not currently possess.

Human capital readiness is also a concern. Cross-functional coordination among firm secretaries, legal teams, auditors, and IT experts becomes essential to facilitate timely and correct filings. New e-Form mistakes, especially those covering structured fields, can lead to rejections, late filing fees, or worse still, regulatory scrutiny. Additionally, companies operating across jurisdictions or having complex ownership structures may face difficulty compiling the Cost Benefits of Outsourcing bookkeeping for Small Businesses.

STRATEGIC IMPLICATIONS AND THE WAY FORWARD

Apart from the compliance workload, the long-term payoffs for these reforms are considerable. First, they embed a culture of transparent corporate governance with firms being answerable for financial performance and ethical and social behaviour. Second, by enhancing systematised data gathering, the MCA can build centralised compliance dashboards, identify sectoral trends, and strengthen regulatory interventions. Third, reforms strengthen India's international ranking in investor protection and add strength to due diligence for foreign investors.

The MCA will look to extend its structured reporting framework over the next few years to include sustainability reporting, environmental disclosures, and electronic audit confirmations. These July 2025 changes should therefore be viewed as a stepping stone rather than a destination in building towards compliance for the future.

CONCLUSION

The recent reforms to the MCA mark a dramatic shift in the corporate compliance regime in India. By making standardised filings obligatory, increasing disclosures of workplace ethics, and adding features of digital verification, the government is attempting to create a culture of

¹⁵ VSaraath, 'Cost Benefits of Outsourcing Bookkeeping for Small Businesses' (*Balancify*, 09 July 2024) <<https://www.balancify.ca/post/cost-benefits-of-outsourcing-bookkeeping-for-small-businesses>> accessed 09 June 2025

transparency, accountability, and social responsibility in business conduct. Though their application is challenging, especially regarding cost, training, and digital preparedness, the long-term implications will likely foster investor confidence, regulator efficiency, and corporate governance ethics. As corporate India adjusts to this compliance infrastructure, it will facilitate a more resilient, inclusive, and technologically integrated economic ecosystem.