

# **MCA AMENDS DEFINITION OF SMALL COMPANY W.E.F. 15.09.2022**

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**MCA notifies Companies (Specification of definition details) Amendment Rules, 2022 amending the definition of small company w.e.f. 15.09.2022 the limit of paid up capital and turnover for the small company has been increased to Rs. Four crore (Earlier 2 Crs.) and Rs. Forty crore (Earlier 20 Crs.) respectively.**

## **New small company limit:**

- Paid up Capital – Rs. 4 Crs.
- Turnover – Rs. 40 Crs.

**MCA revises threshold for paid up capital of “small companies”**

**Latest revision to facilitate Ease of Doing Business further and reduce compliance burden on “small companies”**

The Ministry of Corporate Affairs (MCA) has taken several measures in the recent past towards ease of doing business and ease of living for the corporates. These included decriminalisation of various provisions of the Companies Act, 2013 & the LLP Act, 2008, extending fast track mergers to start ups, incentivising incorporation of One Person Companies (OPCs) etc. Earlier, definition of “small companies” under the [Companies Act, 2013](#) was revised by increasing their thresholds for paid up capital from “not exceeding Rs 50 lakh” to “not exceeding Rs 2 crore” and turnover from “not exceeding Rs 2 crore” to “not exceeding Rs 20 crore”. This definition has, now, been further revised by increasing such thresholds for paid up Capital from “not exceeding Rs. 2 crore” to “not exceeding Rs. 4 crore” and turnover from “not exceeding Rs. 20 crore” to “not exceeding Rs. 40 crore”.

Small companies represent the entrepreneurial aspirations and innovation capabilities of lakhs of citizens and contribute to growth and employment in a significant manner. The Government has always been committed to taking measures which create a more conducive business environment for law-abiding companies, including reduction of compliance burden on such companies.

Some of the benefits of reduction in compliance burden as a result of the revised definition for small companies are as under:

- No need to prepare cash flow statement as part of financial statement.
- Advantage of preparing and filing an Abridged Annual Return.
- Mandatory rotation of auditor not required.
- An Auditor of a small company is not required to report on the adequacy of the internal financial controls and its operating effectiveness in the auditor’s report.

- Holding of only two board meetings in a year.
- Annual Return of the company can be signed by the company secretary, or where there is no company secretary, by a director of the company.
- Lesser penalties for small companies.

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MINISTRY OF CORPORATE AFFAIRS  
NOTIFICATION

New Delhi, the 15th September, 2022

**G.S.R. 700(E).** In exercise of the powers conferred by sub-sections (1) and (2) of section 469 of the [Companies Act, 2013](#) (18 of 2013), the Central Government hereby makes the following rules further to amend the [Companies \(Specification of Definition Details\) Rules, 2014](#), namely:?

1. **Short title and commencement.**- (1) These rules may be called Companies (Specification of definition details) Amendment Rules, 2022.

(2) They shall come into force from the date of their publication of this notification in the Official Gazette.

2. In the [Companies \(Specification of Definition Details\) Rules, 2014](#), in rule 2, in sub-rule (1), for clause (t), the following clause shall be substituted, namely:-

“(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crore respectively.”.

[F. No. 1/13/2013-CL-V, Part I]  
MANOJ PANDEY, Jt. Secy.

**Note :** The principal rules were published in the Gazette of India, Extraordinary, Part-II, section 3, sub-section(1) *vide* [number G.S.R.238\(E\), dated the 31<sup>st</sup> March, 2014](#) and last amended, *vide* [number 123 \(E\), dated the 19<sup>th</sup> February, 2021.](#)