Definition of Small Company – Evolution over time

Companies Act, 2013

Sec 2(85) PSC < Rs. 50 L & T.O. \leq Rs. 2 cr.

CG may prescribe a higher amount upto PSC < Rs. 5 cr. TO < Rs. 20 cr.

Amended section 2(85) vide Companies (Amendment) Act, 2017

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Sec 2(85) $PSC \le Rs. 50 L \&$ T.O. \leq Rs. 2 cr.

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CG's power to prescribe higher amount increased upto $PSC \le Rs. 10 cr.$ $TO \le Rs. 100 cr.$

Inserted rule 2(1)(t) *vide* Companies (Specification of **Definitions Details)** Amendment Rules, 2021

> Limits by CG prescribed by inserting by Rule 2(1)(t) $PSC \le Rs. 2 \text{ cr. } \&$ $T.O. \leq Rs. 20 cr.$

Amended rule 2(1)(t) *vide* Companies (Specification of definition details) Amendment Rules, 2022

> Rule 2(1)(t) amended $PSC \le Rs. 4 \text{ cr. } \&$

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 $T.O. \leq Rs. 40 \text{ cr.}$

Quick snapshot of advantages to a Small Co.

- Cash Flow Statement not required
- 2 Board Meetings per FY are sufficient min. gap 90 days
- Signing of annual return by CS, if any, otherwise by any director
- Lesser amount of penalties for non-compliances
- Rotation of statutory auditors not required
- Abridged format of director's report
- Abridged annual return in MGT-7A
- Comment on adequacy of IFC in the financial statement by the auditor

Rationale behind the amendment as per PIB

- To promote ease of doing business
- Cover more start-ups under the ambit
- Reduce compliance burden
- To promote entrepreneurship culture

In an earlier move, MCA vide its notification dated 01.02.2021, has included small companies under the fast track route of merger (sec. 233).

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