



**"What's
New?"**

September 22, 2022

"Ease of Doing Business- Definition of Small Companies further relaxed"

In a major step towards ease in corporate compliance, government has further relaxed the definition of 'small companies' w.e.f September 15, 2022.

In this alert, we have discussed the revised definition of small companies notified under the Companies (Specification of Definition Details) Amendment Rules, 2022.

Source: Notification No G.S.R. 700(E) dated 15-09-2022

Revised definition of Small Companies

1. Post amendment, a company will be considered as small company if its paid-up share capital is upto INR 40 Million (increased from INR 20 Million) and turnover upto INR 400 Million (increased from INR 200 Million).
2. Despite satisfying both the conditions mentioned above, a company will not be considered as a small company if it is a:
 - public company;
 - holding company;
 - subsidiary company;
 - company registered under section 8 (not for profit Company); or
 - company that is governed by any Special Act.

Benefits available to Small Companies

Some of the benefits available to small companies under the Companies Act, 2013 are as follows:

- No need to prepare Cash Flow Statement in the financial statement.
- Advantage of holding only two board meetings in a financial year instead of four.
- No requirement of mandatory rotation of auditor after five years.
- Annual return of the small company can be signed by the company secretary, or where there is no company secretary, only by one director of the company.
- Benefit of preparing and filing an Abridged Annual Return (i.e., MGT-7A).
- Lesser penalties for small companies.
- No need to prepare CARO report.
- No need to report on Internal Financial Controls.

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