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New Definition for Small Company

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New Definition for Small Company

The Ministry of Corporate Affairs, vide its notification dated September 15, 2022, has amended the definition of "small company," which widens the base of number of companies which will be covered by the definition. Small companies can enjoy some benefits under the Companies Act, and with this increase in limit, more companies will come into the ambit of small companies, which will in turn ease the compliance requirements.

Section 2 (85) of the Companies Act 2013 provided a limit of paid-up capital and turnover of not exceeding Rs. two crores and Rs. twenty crores, respectively. This has now been doubled and the new limits for the paid up capital and turnover of a small company are Rs. four crore and Rs. forty crore, respectively.

A few benefits enjoyed by small companies are:

- There is no need to attach a cash flow statement to the financial statements.
- Having only 2 board meetings instead of 4 in a year.
- Exemptions for internal financial controls with reference to financial statements and the operating effectiveness of such controls in the audit report
- Exemptions for Companies' Auditors' Report Order 2020.
- Exemptions for Boards of Report

<https://www.mca.gov.in/bin/dms/getdocument?mds=tiMs9IFJ8xuPm%252B%252Ffoxc6fUw%253D%253D&type=open>