



PHD Research Bureau
PHD Chamber of Commerce and Industry



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 definition of small companies under the Companies Act, 2013 has been 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.

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 decriminalization 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 a cash flow statement as part of a financial statement.
- Advantage of preparing and filing an Abridged Annual Return.
- Mandatory rotation of the auditor is 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.

Please find appended the link to access the detailed document on the same-

<https://www.mca.gov.in/bin/dms/getdocument?mids=tiMs9IFJ8xuPm%252B%252F0xc6fUw%253D%253D&type=open>

Please contact for any query related to this mail to Ms Kaveri Verma, Research Assistant at kaveri.verma@phdcci.in with a cc to Dr S P Sharma, Chief Economist | DSG at spsharma@phdcci.in and Mr Sanjay Ahuja, Joint Secretary at sanjay.ahuja@phdcci.in, PHD Chamber of Commerce and Industry.

Warm Regards,

Dr S P Sharma

Chief Economist | DSG

PHD Chamber of Commerce and Industry

PHD House, [4/2 Siri Institutional Area](#)

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in

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PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel.: +91-11-2685 3801-4
Fax: +91-11-2685 5450, 49545451 • E-mail: phdcci@phdcci.in • Website: www.phdcci.in, CN: U748990

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