

Amendment in definition of Small Companies

Ministry of Corporate Affairs (“MCA”) has issued notification G.S.R. 700(E) dated 15th September, 2022 to amend the definition of small companies as defined under the Companies (Specification of Definition Details) Rules, 2014.

These rules may be called as Companies (Specification of definition details) Amendment Rules, 2022. These rules shall come into force on the date of their publication in the Official Gazette i.e. September 15, 2022.

Link for amendment rule: <https://egazette.nic.in/WriteReadData/2022/238857.pdf>

✓ **KEY AMENDMENT**

As per definition of Section 2(85) of Companies Act, 2013 (“Act”) and the powers conferred to MCA to prescribe the higher amount of Paid Up Share Capital and Turnover, the MCA has amended the existing prescribed criteria of Paid up Share Capital and Turnover by substituting the existing clause in rule 2, in sub-rule (1), for clause (t) with the following clause, 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.”.

✓ **COMPARATIVE VIEW OF THE AMENDMENT**

BEFORE AMENDMENT	AFTER AMENDMENT
For the purpose of Section 2(85) of the Act, the Company having following Paid up Share Capital and Turnover as per profit and loss account for the immediately preceding financial year was considered as Small Company;	For the purpose of Section 2(85) of the Act, the Company having following Paid up Share Capital and Turnover as per profit and loss account for the immediately preceding financial year shall be considered as Small Company w.e.f. September 15, 2022;
a) paid up share capital shall not exceed rupees two crores and ;	a) paid up share capital shall not exceed rupees four crores and ;
b) turnover of the small company shall not exceed rupees twenty crores.	b) turnover of the small company shall not exceed rupees forty crores.

It should be noted that the Company should meet both the mentioned criteria i.e. Paid up share capital and Turnover simultaneously to avail the benefit of the small company.

✓ **EXCLUSION FROM THE DEFINITION OF SMALL COMPANY:**

The following companies are excluded from the ambit of the definition of the small companies, irrespective of their paid up share capital and turnover:

- Public Company;
- Company which is a holding Company;
- Company which is a subsidiary Company;
- Company registered under Section 8 of the Act;
- Company or body corporate governed by any special Act

Suggestions may be send to rupesh@cacsindia.com

**Rupesh Agarwal | Managing Partner | Chandrasekaran Associates | Company Secretaries
11-F, Pocket Four | Mayur Vihar Phase One | Delhi - 110 091 | Tel. +91-11-2271 0514
rupesh@cacsindia.com | info@cacsindia.com | www.cacsindia.com**

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