GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
STARRED QUESTION NO. 176
ANSWERED ON TUESDAY, AUGUST 04, 2026

CLASSIFICATION UNDER COMPANIES ACT, 2013

QUESTION

*176. DR. DINESH SHARMA:

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

(a) whether Government has raised the limits for classifying companies as "Small Companies" under the Companies Act, 2013, with the view of reducing the compliance burden and promoting ease of doing business;

(b) if so, the details of changes made since 2014 in the paid-up share capital and turnover limits, along with the benefits expected therefrom;

(c) whether Government has taken any steps to expand and strengthen the fast-track merger mechanism under the Companies Act, 2013, to make corporate restructuring faster, simpler and more cost-effective; and

(d) if so, the details thereof?

ANSWER

THE MINISTER OF FINANCE & CORPORATE AFFAIRS

[SMT. NIRMALA SITARAMAN]

(a) to (d): - A statement is laid on the Table of the House

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STATEMENT REFERRED TO IN REPLY TO PART (a) TO (d) OF RAJYA SABHA STARRED QUESTION NO. 176 (11th POSITION) FOR 4th AUGUST, 2026 ASKED BY DR. DINESH SHARMA, HON'BLE MEMBER OF PARLIAMENT REGARDING CLASSIFICATION UNDER COMPANIES ACT, 2013.

(a) & (b): The Government of India has progressively enhanced the financial threshold limits for classifying companies as "small companies" under section 2(85) of the Companies Act, 2013, to reduce compliance burden and improve the Ease of Doing Business for smaller businesses. The details of the relaxations provided to small companies under the Companies Act, 2013 are at Annexure-I.

When Companies Act, 2013 was enacted, a small company was defined as having a paid-up share capital not exceeding Rs. 50 lakh and a turnover not exceeding Rs. 2 crore, excluding certain classes of companies. Subsequently, vide Notification No. G.S.R. 92(E) dated February 1, 2021, the Companies (Specification of Definitions Details) Rules, 2014 were amended w.e.f. April 1, 2021 to increase the paid-up capital limit to Rs. 2 crore and the turnover limit to Rs. 20 crore. These limits were raised again vide Notification No. G.S.R. 700(E) dated September 15, 2022, to Rs. 4 crore for paid-up capital and Rs. 40 crore for turnover.

Recently, vide Notification No. G.S.R. 880(E) dated December 1, 2025, the government further enhanced these thresholds, establishing the revised limits at a paid-up capital of up to Rs. 10 crore and a turnover of up to Rs. 100 crore. In view of the enhanced thresholds, more companies would get the relaxations provided to small companies.

(c) & (d): The Government has taken steps to expand, rationalize, and strengthen the fast-track merger (FTM) framework under Section 233 of the Companies Act, 2013 to encourage ease of doing business and provide a cost-effective, administrative mechanism for corporate reorganizations. The details are at Annexure-II.

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Annexure-I

Refer to part (a) & (b) of Rajya Sabha Starred Question no. 176 for 04.08.2026

Some of the important steps taken by MCA for ease of doing business and to ease compliance burden for small companies

Sr. No.	Section	Subject	Provisions in the Company Act, 2013 to support small companies
1.	2 (40) proviso	Financial Statement	Requirement of cash flow statement to be part of financial statement made optional.
2.	92(1) Proviso	Annual return	(i) Shall be signed by a company secretary or where is there is no company secretary by a Director of the company. (ii) Abridged annual return prescribed for small companies.
3.	92(1)(g)	Disclosure in annual return about remuneration of directors	Disclosure as to aggregate of amount of remuneration drawn by directors adequate for small companies.
4.	134(3A)	Board's Report	Abridged Board Report prescribed for small companies.
5.	139(2) read with rule 5 of Companies (Audit and Auditors) rules, 2014	Rotation of auditors	Rotation of auditors in small companies is not mandatory.
6.	141(3)(g)	Restriction on auditor-ships	Restriction w.r.t. maximum auditor-ships not applicable to auditors of small companies.
7.	143(3)(i)	Disclosure in Auditors report on internal financial controls	These disclosures are not applicable for small companies.

Sr. No.	Section	Subject	Provisions in the Company Act, 2013 to support small companies
8.	173 (5)	Meetings of Board.	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of a small company, one board meeting in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act.
9.	233	Merger through approval of RD	Mergers between two or more small companies or between one or more start-up company with one or more small company allowed through approval of RD.
10.	446B	Lesser penalties	Small companies are entitled for lesser penalties as per section 446B.
11.	Rule 8(12)(a)	Companies (Registration offices and Fees) amendment Rules, 2014	Small companies are exempted from requirements w.r.t. pre-certification of forms by professionals.
12.	Annexure- Table of fees	Companies (Registration offices and Fees) amendment Rules, 2014	Lesser fees allowed for small companies.
13.	Clause 1(2)(iv)	Companies (Auditor's Report) Order, 2020 (CARO 2020)	The Companies (Auditor’s Report) Order (CARO) 2020 is not applicable on small companies
14.	Incorporation of small companies		Zero fee is charged for incorporation of all companies with authorized capital up to Rs. 15 lakh or with up to 20 members where no share capital is applicable.

Annexure-II

Refer to part (c) & (d) of Rajya Sabha Starred Question no. 176 for 04.08.2026

- Originally, only mergers between two or more small companies, or between a holding company and its wholly-owned subsidiary company were allowed under this route.
- Vide Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021, mergers between start-ups, and between small companies and start-ups were also included in the scope.
- In 2024, cross-border reverse flipping under the fast-track merger framework was allowed, which permitted a foreign holding company to directly merge into its wholly-owned subsidiary in India.
- In 2025, the eligibility criteria of fast-track merger was further widened to include merger between unlisted companies (other than section 8 company), provided that the aggregate outstanding borrowings (including bank loans, debentures, and public deposits) of each company does not exceed Rs. 200 crores. This also allows for intra-group restructuring between a holding company and its subsidiaries, as well as between fellow subsidiaries.
- Further, there are provisions for deemed approval under the fast-track merger framework to ensure that these mergers are approved within the 60 days timeline.

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