GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 229
ANSWERED ON TUESDAY, JULY 21, 2026

ENHANCEMENT OF THRESHOLD LIMITS FOR CLASSIFICATION OF SMALL COMPANIES

QUESTION

229. Shri Naresh Bansal:
Dr. Kavita Patidar:
Shri Masthan Rao Yadav Beedha:
Shri Rajinder Gupta:
Shri Lahar Singh Siroya:
Shri S. Selvaganabathy:

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

(a) whether Government has enhanced the threshold limits for classification of companies as "small companies" under the Companies Act, 2013 in order to reduce compliance burden and promote ease of doing business; and

(b) if so, the details of the changes made in the threshold for paid-up share capital and turnover since 2014, including expected benefit from such changes?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF ROAD, TRANSPORT AND HIGHWAYS

[SHRI HARSH MALHOTRA]

(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.

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 benefits of small companies, the details thereof are at Annexure-I.

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Annexure-I

Annexure-I to the Rajya Sabha Unstarred Q. No. 229 part (a) & (b) to be answered on 21st July, 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.