

MCA INCREASED THRESHOLDS FOR PAID-UP CAPITAL AND TURNOVER FOR SMALL COMPANIES



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1. The Update

The Ministry of Corporate Affairs (MCA) has amended the Companies (Specification of definition details) Rules, 2014. Through this amendment, the government has significantly increased the financial thresholds that define a "Small Company," thereby allowing more companies to avail themselves of the compliance benefits associated with this status.

2. The New Definition (Rule 2(1)(t))

The amendment substitutes the existing Clause (t) in Rule 2, Sub-rule (1). The new limits for a company to be classified as a Small Company under Section 2(85) of the Companies Act, 2013 are:

- Paid-up Capital: Shall not exceed ₹10 Crores (Previously ₹4 Crores).
- Turnover: Shall not exceed ₹100 Crores (Previously ₹40 Crores).

3. Impact on Compliance

Companies falling under this expanded definition will enjoy several compliance relaxations, including:

- Financial Statements: No requirement to include a Cash Flow Statement.
- Board Meetings: Requirement to hold only two meetings in a financial year (instead of four).
- Auditor Rotation: Exemption from the mandatory rotation of auditors.
- Annual Return: Simplified Annual Return (Form MGT-7A).
- Penalties: Lesser penalties for non-compliance under various sections of the Act.

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KNOWLEDGE DESK

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