

# Definitions of Companies under Companies Act, 2013



**Ministry of Corporate Affairs Notification G.S.R. 880(E)**, dated December 1st, 2025, which introduces the **Companies (Specification of definition details) Amendment Rules, 2025** by which the definition of a "Small Company" under the **Companies Act, 2013** has been revised.

The definition states that a "Small Company" means a company, other than a public company, which meets the following **two sub-clauses**:

1. Its paid-up capital **does not exceed** the prescribed limit (now ₹10 Crores w.e.f. Dec 1, 2025); and
2. Its turnover **does not exceed** the prescribed limit (now ₹100 Crores w.e.f. Dec 1, 2025).

This move drastically expands the number of companies eligible for a **lighter compliance regime**, thereby reducing costs, administrative burden, and enhancing the overall regulatory environment for a majority of the private corporate sector.

Parameter	Pre-Amendment Thresholds (w.e.f. Sept 2022)	New Thresholds (w.e.f. 1 <sup>st</sup> December 2025)	Impact Analysis
Paid-up Capital	Not exceeding ₹4 Crores	Not exceeding ₹10 Crores	<b>2.5 times Increase</b> - Allows companies with significantly higher capital investment to retain Small Company status.
Turnover	Not exceeding ₹40 Crores	Not exceeding ₹100 Crores	<b>2.5 times Increase</b> - Captures a much larger segment of the corporate sector, including fast-growing mid-sized companies, for simplified compliance.

## Compliance Benefits of a "Small Company" vs. a Regular Private Company

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The benefits listed below apply to any company that qualifies as a "Small Company," regardless of whether it meets the ₹4 Cr / ₹40 Cr or the new ₹10 Cr / ₹100 Cr threshold.

Compliance Area (Section of Act)	Regular Company (Non-Small)	Private Company (Benefits/Relaxations)
<b>Board Meetings (Sec. 173)</b>	Minimum <b>4</b> Board Meetings in a calendar year.	Minimum <b>2</b> Board Meetings in a calendar year (one in each half, with a gap of at least 90 days).
<b>Cash Flow Statement (Sec. 2(40))</b>	Mandatory to prepare as part of Financial Statements.	<b>Exempted</b> from preparing the Cash Flow Statement.
<b>Auditor Rotation (Sec. 139(2))</b>	Mandatory rotation (Individual: 5 years; Firm: 10 years).	<b>Exempted</b> from the mandatory requirement of Auditor Rotation.
<b>Internal Financial Controls (IFC) Reporting (Sec. 143(3)(i))</b>	Auditor's Report must state the adequacy and operating effectiveness of IFC over financial reporting.	<b>Exempted</b> from the requirement for the Auditor to report on IFC.
<b>Lesser Penalties (Sec. 446B)</b>	Liable for full penalty as specified in the Act.	Liable to a penalty not exceeding <b>one-half</b> of the penalty specified in the relevant section.
<b>Annual Return Signing (Sec. 92)</b>	Must be signed by a Director and the Company Secretary (CS) or CS in Practice.	Can be signed by a <b>Single Director</b> or the Company Secretary (if appointed).
<b>Abridged Board Report</b>	Required to include detailed disclosures as per Rule 8 of Companies (Accounts) Rules, 2014.	Can prepare an <b>abridged (simplified) Board Report</b> with fewer disclosures.
<b>Secretarial Audit</b>	Applicable to certain companies above prescribed thresholds.	<b>Exempted</b> from the mandatory Secretarial Audit Report.

## Exceptions (Companies Excluded from Small Company Status)

Regardless of the Paid-up Capital and Turnover, the following companies are **excluded** from being classified as a Small Company under the Act:

- ❖ A **holding company** or a **subsidiary company**.
- ❖ A company registered under **Section 8** (Non-profit organizations).
- ❖ A company or body corporate governed by any **Special Act** (e.g., insurance or banking companies).

In short, the 2025 amendment maximizes the flexibility allowed under the law, decisively **bifurcating the regulatory approach** into one set of robust rules for large companies (public interest entities) and a significantly simpler, growth-oriented set of rules for the vast majority of private companies that now qualify as "Small Companies."

### Howe we assist:

Based on its core business as a **Management Consultancy** and its expertise in **MCA Services (Ministry of Corporate Affairs) and Corporate Compliance**, Perficio Advisory Services Private Limited would assist its clients in the matter of the revised Small Company definition (w.e.f. December 1, 2025) through a structured, proactive compliance and advisory approach. Perficio's role is to act as a **knowledge partner** to ensure the client capitalizes on the regulatory relief provided by the government, converting a mere legal change into **tangible business efficiency and cost savings**.