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Corporate Affairs Ministry Revises Monetary Threshold For Small Companies

The new guidelines define small companies with a paid-up capital of Rs 4 crore and turnover of Rs 40 crore.

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India has revised the monetary threshold in its definition of small companies with an aim to reduce their compliance burden and facilitate ease of doing business for them.

The new guidelines define small companies with a paid-up capital of Rs 4 crore and turnover of Rs 40 crore, the Ministry of Corporate Affairs said in a Gazette notification.

Prior to this, the threshold, under the Companies Act, 2013, was revised from Rs 50 lakh to Rs 2 crore paid-up capital, and the turnover from Rs 2 crore to Rs 20 crore.

The revision in definition is expected to aid many firms that were previously under the medium-sized enterprise category, said Vijay Kalantri, chairman at MVIRDC World Trade Centre, Mumbai.

“...the move will help reduce cost of doing business for many medium-sized enterprises who are working on thin margins, especially at this time of rising input cost and disruption in supply chain that are posing existential challenge to small enterprises,” he said. “This is also a much needed relief for exporters who are competing with low-cost jurisdictions such as Bangladesh and Vietnam in textile and leather sectors.”

The additional benefits of a higher threshold, according to the ministry, include:

- ◆ No need to prepare cash flow statement as part of financial statement.
- ◆ Preparing and filing an abridged annual return.
- ◆ Mandatory rotation of auditor not required.
- ◆ An auditor of a small company is not required to report on the adequacy of the internal financial controls and its operating effectiveness in the auditor’s report.
- ◆ Only two board meetings in a year required.
- ◆ Annual return of the company can be signed by the company secretary, or by a director of the company where there is no company secretary.
- ◆ Lesser penalties for small companies.

“Small companies represent the entrepreneurial aspirations and innovation capabilities of lakhs of citizens and contribute to growth and employment in a significant manner,” the ministry said in the statement.

Other recent measures undertaken by the ministry to facilitate ease of doing business include decriminalisation of various provisions of the Companies Act, 2013 and the LLP Act, 2008; extending fast-track mergers to startups and incentivising incorporation of ‘One Person Companies’.



India revises monetary threshold limit for small firms to reduce compliance burden

MUMBAI, Sept. 16 (Xinhua) -- India has revised the monetary threshold for small companies in terms of paid-up capital and turnover to 0.5 million U.S. dollar and 5 million dollars respectively, a circular by the country's Ministry of Corporate Affairs (MCA) said on Friday.

The objective of raising the threshold limit for small companies, which earlier was 0.25 million dollars and 2.5 million dollars for paid-up capital and turnover, is to reduce their compliance burden and facilitate ease of doing business for them, said the MCA circular.

Welcoming the change, Makarand Joshi, founding partner of MMJC and Associates, a corporate compliance firm, said, "The relaxation in paid-up capital will allow around 80-90 percent of the total registered companies to fall under this category."

Apart from bringing ease in doing business for newly added companies in the small category, they will also pay less filing fees and reduced penalties, and also enjoy relaxation in seven important sections/compliances, Joshi said.

Welcoming the relaxation in threshold limit, Vijay Kalantri, chairman of MVIRDC World Trade Center Mumbai, said, "It will reduce cost of doing business for many medium sized enterprises who are working on thin margins, especially at this time of rising input cost and disruption in supply chain that are posing existential challenge to small enterprises."

Small companies represent the entrepreneurial aspirations and innovation capabilities of citizens and contribute to growth and employment in a significant manner, the MCA circular said. ■