

## NDA Update on Small Companies

The definition of **Small Companies** has further been revised by a notification dated 01-12-2025. The revised definition is as under:

**2(85) “small company” means a company, other than a public company-**

- (i) paid-up share capital of which does not exceed ten crore rupees; and**
- (ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed one hundred crore rupees,**

**Provided that nothing in this clause shall apply to—**

- (A) a holding company or a subsidiary company;**
- (B) a company registered under section 8; or**
- (C) a company or body corporate governed by any special Act;**

The revised threshold limits are as under:

<b>Particulars</b>	<b>Existing Limit</b>	<b>Revised Limit with effect from 01-12-2025</b>
Paid up capital	Not exceeding Rs. 4 crores	Not exceeding Rs. 10 crores
Turnover	Not exceeding Rs. 40 crores	Not exceeding Rs. 100 crores

Thus, the benefits available to small companies will be available to the companies fulfilling the definition of small companies with effect from 01.12.2025. Some of the benefits are as under:

- No need to prepare cash flow statement as part of financial statement.
- Advantage of 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.
- CARO reporting by the auditor is not required
- Holding of only two board meetings in a year.
- Lesser penalties for small companies.

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