

Small Company – Applicability and Benefits

INTRODUCTION & APPLICABILITY

Definition of Small Company under Companies Act, 2013 amended vide Finance Bill 2021 has been made **effective from 1st April, 2021.**

Amended definition of small companies as per **Section 2(85)** of the Companies act, 2013 is:

“Small company means a company, other than public company if both conditions are fulfilled:

- It has a **paid up share capital** less than **INR 2 Crores** (previously 50 Lakhs)
and,
- It has an **annual turnover** less than **INR 20 Crores** (previously 2 crores).

But following companies are **not small company** even though they comply with above 2 conditions:

- a holding company or a subsidiary company;
- a company registered under section 8 of Companies Act, 2013 (Not for profit organization-NGO)
- a company or body corporate governed by any special Act.

Note: Paid up share capital and Turnover shall be of previous financial year as per the latest audited financial statements.

Example: To check the applicability of a Small Company for F.Y. 2021-2022 the Paid up share capital and Turnover as on 31st March, 2021 needs to be checked.

BENEFITS/EXEMPTIONS ENJOYED BY SMALL COMPANIES

Sr no.	Section	Exemptions / Benefits to Small companies
1	2(40)	<p>No need to include Cash Flow Statement as part of its financial statement.</p> <p>Note: Since applicability is from 1st April, 2021, the Financial statements as on 31st March, 2021 shall include Cash Flow Statements, unless it qualifies as a small company as per the old definition.</p>

2	92	Annual Return to be signed by a single director of the company. No signature of Company secretary is required for filing the form. The Annual Return now needs to be filed in a new Abridged form MGT-7A .
3	134	Board report shall be in Abridged form .
4	143	No additional report to be obtain from Auditors for “ Internal Financial Controls for financial statements ” and “ Companies Auditors (Report) Order [CARO] ”.
5	173	To hold Minimum 2 board meetings in a calendar year, i.e. one Board Meeting in each half of the calendar year with a minimum gap of ninety days between the two meetings.
6	233	Merger and Amalgamation can be carried out under Fast Track mode i.e. without the approval of NCLT unlike normal court procedures.
7	446B	Penalty on Companies and officers in default for below stated non-compliances shall be upto half of the penalty prescribed for failure . <ul style="list-style-type: none"> • Filing Annual Return [section 92(5)], • Filing resolutions or agreements [section 117(2)] or • Filing Annual Accounts [section 137(3)].