

Reliefs provided by the Government to MSMEs

Government of India announced certain relief measures in view of COVID-19 outbreak on the 24 March 2020. It has taken a number of measures for the Businesses in general and MSMEs in particular.

The relief measures for MSME are listed below:

1) Redefining the definition of MSME:

- MSME was broadly classified into 2 sectors i.e. Manufacturing Enterprises and Services Enterprises. Now the distinction between manufacturing and service sector is eliminated
- Previously the criteria for an entity to become an MSME was solely dependent on the basis of Investment in Plant & Machinery or Equipment. Now Additional criteria of turnover is also introduced.
- Investment limit is revised upwards in favour of MSME.
- Please refer **Annexure 1** for the comparison between old definition and new definition of MSME

2) Collateral Free Loans

Collateral free loans will act as initial seed money for the small enterprises hit by zero cash flow due to the national lockdown. This loan will help them buy raw materials, pay initial bills and daily wages to employees. In short, this will be like working capital for cranking up their businesses again. The salient features of the scheme is as below

- Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible.
- Credit line can be availed **up to 20%** of entire outstanding credit as on 29.02.2020.
- Loans will have **4 year tenure with 12 months moratorium** on principal repayment.
- 100% credit guarantee cover to Banks and NBFCs on principal and interest.
- No guarantee fee as well as no fresh collateral.
- Scheme can be **availed till 31st Oct 2020.**

3) Subordinated Debt Facility for stressed MSME

Stressed MSME's need equity support. Therefore promoters shall be given debt by banks which will then be infused by promoter as equity in the Unit.

4) Equity Infusion for MSMEs through Fund of Funds

There is a proposal to infuse equity into MSMEs through a Fund of funds system where the government will provide ₹10,000 crore as initial corpus of the Fund. This will be leveraged to raise ₹50,000 crore which will be used to support MSMEs in desperate need of equity through 'daughter funds' of the main Fund of funds. The aim is to expand size and capacity of the MSMEs with equity and help them get listed on the stock exchanges.

5) Disallowance of Global Tender in Govt. Procurement

Indian MSME's and other companies have often faced unfair competition from foreign companies. Therefore, Global tenders for foreign companies will be disallowed in Government procurement tenders up to Rs. 200 crores. This will be a step towards **Self-Reliant India and support Make in India**. This will also help MSME's to increase their business.

6) Scheme for Formalisation of Micro Food Enterprises (MFE)

In line with the vision to promote "Vocal for Local" with global outreach, the Central Government's scheme for formalisation of micro food enterprises will help them become more competitive and enable economies of scale across the production value chain. The scheme aims to help nearly two lakh unorganised micro-food enterprises achieve technical upgradation in line with FSSAI's standards as well give them marketing and branding support.

Existing micro food enterprises, Farmer Producer Organisations, SHG and Cooperatives will be supported.

Cluster based approach is adopted: (e g Mango in UP, Kesar in J&K, Bamboo shoots in North East, Chilli in Andhra Pradesh, Tapioca in Tamil Nadu etc.)

Expected Outcomes: Improved health and safety standards, integration with retail markets, improved incomes.

Will also help in reaching untapped export markets in view of improved health consciousness.

7) EPF Support for Business & Workers

- Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of employer and employee contributions (each 12%) was made into EPF accounts of *eligible establishments*.
- This support has further been extended by another 3 months to salary months of June, July and August 2020.

Eligible establishment means:

- i. The establishment or factory should already be covered and registered under the Employees' Provident Funds & Misc. Provisions Act, 1952.
- ii. The total number of employees employed in the establishment should be up to 100 (one hundred), with 90% or more of such employees should be drawing monthly wages less than Rs.15000/-.

8) Reduction in EPF Contribution Rate

Business need support to ramp up production over the next quarter and it is also necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Funds dues. Therefore following measures have been taken:

- Statutory PF contribution of both employer and employee has been reduced to 10% from 12% each for the next 3 months.
- The above reduction is not applicable to CPSEs and State PSUs.
- This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.

9) Interest Subvention for MUDRA- Shishu Loans

Small businesses under MUDRA have been disrupted the most & have also impacted their capacity to pay EMIs. The Govt. will provide **Interest subvention of 2% for prompt payees** for a period of 12 months.

10) Reduction in TDS/TCS Rate

In order to provide more funds at the disposal of the taxpayers, following steps have been taken:

- With effect from 14th May 2020 till 31st March 2021, TDS Rates will be reduced by 25% of the applicable rates. Please refer **Annexure 2** for the reduced rates of TDS/TCS
- The reduction in the rate will rate will **NOT** be applicable to **TDS on Salary**.

11) Other Interventions

MSMEs currently face problems of marketing and liquidity due to COVID. Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings. Therefore, following measures have been taken:

- MSME receivables from Govt. and CPSEs to be released in 45 days.
- E-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- Fintech will be used to enhance transaction based lending using the data generated by the e-marketplace.

12) Other Measures.

- Income Tax- all pending refunds in to Trust, Non- Corporate Business, Proprietorship, LLP, Partnership Firms, and Cooperatives will be given immediately.
- Due dates for a few compliances have been extended. Please refer **Annexure 3**

Annexure 1

Comparison between old definition and new definition of MSME under MSME Act 2006:

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

Annexure 2: Revised TDS rates

Sl. No	Section	Nature of Payment	Existing Rate of TDS	Reduced rate
1	193	Interest on Securities	10%	7.50%
2	194	Dividend	10%	7.50%
3	194A	Interest other than interest on securities	10%	7.50%
4	194C	Payment of Contractors and sub-contractors	1% (individual/HUF) 2%(others)	0.75% (individual/HUF) 1.5% (others)
5	194D	Insurance Commission	5%	3.75%
6	194DA	Payment in respect of life insurance policy	5%	3.75%
7	194EE	Payments in respect of deposits under National Savings Scheme	10%	7.50%
8	194F	Payments on account of re-purchase of Units by Mutual Funds or UTI	20%	15%
9	194G	Commission, prize etc on sale of lottery tickets	5%	3.75%
10	194H	Commission or brokerage	5%	3.75%
11	194-I(a)	Rent for plant and machinery	2%	1.50%
12	194-I(b)	Rent for immovable property	10%	7.50%
13	194-IA	Payment for acquisition of immovable property	1%	0.75%
14	194-IB	Payment of rent by individual or HUF Payment for Joint Development Agreements	5%	3.75%
15	194-IC	Payment for Joint Development Agreements	10%	7.50%
16	194J	Fee for Professional or Technical Services (FTS). Royalty, etc	2% (FTS, certain royalties, call centre) 10% (others)	1.5% (FTS, certain royalties, call centre) 7.5% (others)
17	194K	Payment of dividend by Mutual Funds	10%	7.50%
18	194LA	Payment of Compensation on acquisition of immovable property	10%	7.50%
19	194LBA(1)	Payment of income by Business trust	10%	7.50%
20	194LLB(i)	Payment of income by Investment fund	10%	7.50%
21	94LBC(1)	Income by securitisation trust	25% (individual/HUF) 30%(others)	18.75% (individual/HUF) 22.5%(others)
22	194M	Payment to commission, brokerage etc. by Individual and HUF	5%	3.75%
23	194-O	TDS on e-commerce participants	1% (w.e.f 01-10-2020)	0.75%

Further TCS for the following specified receipts has also been reduced by 25% for the period from 14th May, 2020 to 31st March, 2021: -

Revised TCS Rates

Sl. No	Section	Nature of Payment	Existing Rate of TCS	Reduced rate
		Sale of		
1	206C(1)	(a) Tendu Leaves	5%	3.75%
		(b) Timber obtained under a forest lease	2.50%	1.875%
		(c) timber obtained by any other mode	2.50%	1.875%
		(d) Any other forest produce not being timber/tendu leaves	2.50%	1.875%
		(e) scrap	1%	0.75%
		(f) Minerals, being coal or lignite or iron ore	1%	0.75%
		Grant of license, lease, etc, of		
2	206C(1C)	(a) Parking lot	2%	1.50%
		b) Toll Plaza	2%	1.50%
		(c) Mining and quarrying	2%	1.50%
3	206C(1F)	Sale of motor vehicle above 10 lakhs	1%	0.75%
4	206C(1H)	Sale of any other goods	0.1% (w.e.f 01-10-2020)	0.75%

Further, there shall be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at a higher rate due to Non – Furnishing of PAN/Aadhaar. For example, if the tax is required to be deducted at 20% under section 206AA of the Income Tax Act due to non –furnishing of PAN/Aadhaar, it shall be deducted at the rate of 20% and not at the rate of 15%.

Annexure 3.1 : Extension of Due dates – Income-tax

Sl.no	Act/Law	Particulars/ Return	Actual Due Date	Extended Due Date
1	Income Tax Return for FY 18-19	FY 18-19 i.e. AY 19-20	31st March, 2020	30th June, 2020
2	TDS Returns inForm	4th quarter ending31.3.2020	31st May, 2020	30th June, 2020
3	TDS Returns in Form 26QB/QC/QD	Feb Month return	30th March, 2020	30th June, 2020
		March Month return	30th April, 2020	30th June, 2020
		April Month return	30th May, 2020	30th June, 2020
4	Issue of Form 16/Form 16A	4th quarter ending31.3.2020	15th June, 2020	30th June, 2020
5	Chapter VIA - 80C (PPF,LIC), 80D (Mediclaime),80G (Donations) etc.	FY 19-20 (Note: Insurance, Investments etc. can be paid till 30th June 2020 for claiming exemptions in IT returns for FY 19-20	31st March, 2020	30th June, 2020
6	Income Tax Act - Linking PAN and Aadhaar	Linking PAN and Aadhaar	31st March, 2020	30th June, 2020
7	Income Tax Return for FY 19-20	FY 19-20 i.e. AY 20-21	31st July, 2020	30th November, 2020
		FY 19-20 i.e. AY 20-21	31st October, 2020	30th November, 2020
		Tax Audit	30th September, 2020	31st October, 2020
8	Assessments	Getting barred on	30th September, 2020	31st December, 2020
		Getting barred on	31st March, 2021	30th September, 2021
9	Vivad se Vishwas scheme	Documents due for filing without paying additional amount	31st March, 2020	30th December, 2020

Annexure 3.2 : Extension of Due dates – GST

Sl.no	Act/Law	Particulars/ Return	Actual Due Date	Extended Due Date	Remarks
1	GSTR3B (Turnover less than 1.50 crores)	Feb Month return	20th of subsequent	30th June, 2020	Both Interest and Late fee waived only if filed before the extended due date
		March Month return	20th of subsequent	3rd July, 2020	
		April Month return	20th of subsequent	6th July, 2020	
2	GSTR3B (Turnover more than 1.5 crores)	Feb, March Month returns	20th of subsequent	29th June, 2020	
		April Month return	20th of subsequent	30th June, 2020	
3	GSTR3B (Turnover is less than 5 crores)	May Month	20th June, 2020	12th July, 2020	
4	GSTR3B (Turnover is more than 5 crores)	Feb, March, April Month returns	20th of subsequent month	24th June, 2020	Late fee waived only if filed before the extended due date
					Interest payable will be NIL for first 15 days from original due date and @ 9% thereafter (if filed before the extended due date)
5	GSTR3B (Turnover is more than 5 crores)	May Month	20th June, 2020	27th June, 2020	
6	GSTR1 - Monthly	March, April, May Month returns	10th of subsequent month	30th June, 2020	Late fee waived only if filed before the extended due date
7	GSTR1 - Quarterly	March quarter returns	30th April, 2020	30th June, 2020	Late fee waived only if filed before the extended due date
8	GST	Annual Return	31st March, 2020	30th June, 2020	
9	Filing CMP -08 for composition tax payers	Filing CMP -08	18th April, 2020	30th June, 2020	
10	GST	Opting into composition scheme	31st March, 2020	30th June, 2020	