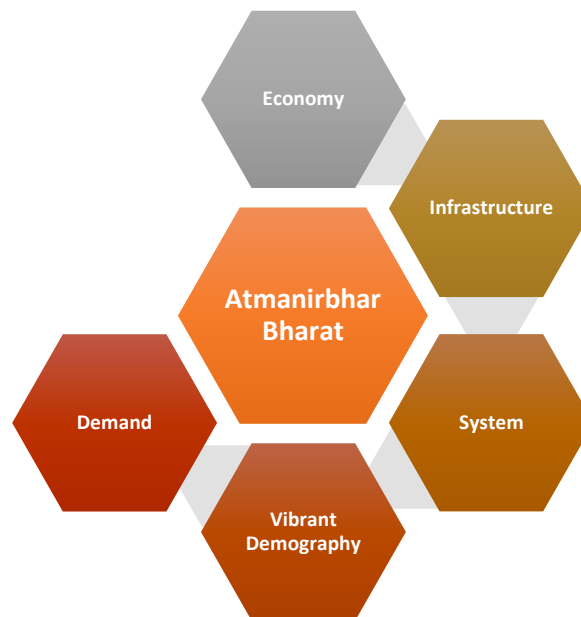


RELIEF MEASURES TO BUSINESSES, INCLUDING MSMEs TO SUPPORT FIGHT AGAINST COVID-19



Definition of MSMEs revised by upward revision in Investment limit and introduction of additional criteria of turnover. Necessary amendments to law will come.

Existing Definition of MSMEs

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 Definition of MSMEs

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. |

IMPORTANT RELIEF MEASURES:

Collateral-free Loans (Rs. 3 Lakhs Crores): Additional funding to meet operational liabilities, buy raw material and restart business.

- Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of outstanding credit as on 29.02.2020.
- Borrowers with up to Rs.25 crore outstanding and Rs.100 crore turnover eligible for this loan.
- Loans to have 4 year tenor with moratorium of 12 months on principal repayment. Interest to be capped.
- Guarantee cover to Banks and NBFCs on principal and interest.
- No guarantee fee, no fresh collateral required.
- Scheme can be availed till 31st Oct 2020.

Subordinate Debt for Stressed MSMEs (Rs. 20,000 Crores): Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.

- Functioning MSMEs which are NPA or are stressed will be eligible.
- Partial Credit Guarantee support will be provided to Banks.

Equity infusion for MSMEs through Fund of Funds (Rs. 50,000 Crores):

- Provide equity funding for MSMEs with growth potential and viability.
- Help to expand MSME size as well as capacity.
- Encourage MSMEs to get listed on main board of Stock Exchanges.

Other Measures:

1. Global tenders to be disallowed upto Rs200 crores.
2. MSME receivables from Government and Central Public Sector Undertakings (CPSU) to be released in 45 days.
3. Statutory PF contribution of both employer and employee (24% of monthly wages) will be credited into PF accounts by government for businesses having less than 100 employees and 90% of them earning upto Rs 15,000 p.m. This support is for 6 months (March'2020 to August2020).

For other establishments, statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% for 3 months. CPSEs and State PSUs will continue to contribute 12% as employer contribution.

4. Pending income-tax refunds up to Rs. 5 lakh for all taxpayers, refunds to charitable trusts and non-corporate businesses & professions including proprietorship, partnership, LLP and Co-operatives shall be issued immediately.
5. Implemented "Special Refund and Drawback Disposal Drive" for all pending refund and drawback claims
6. Measures taken by Reserve Bank of India:
 - a. Moratorium of 3 months on payment of instalments and payment of Interest on Working Capital Facilities in respect of all Term Loans.
 - b. Easing of Working Capital Financing by reducing margins.
7. Relief to Contractors: Extension of up to 6 months (without costs to contractor) to be provided by all Central Agencies:
 - a. Covers construction/ works and goods and services contracts
 - b. Covers obligations like completion of work, intermediate milestones etc. and extension of Concession period in PPP contracts

Government agencies to partially release bank guarantees, to the extent contracts are partially completed.

8. 25% reduction in TDS/TCS rate for the remaining part of the FY2020-21 i.e. from 14th May'2020 to 31st March'2021.
9. Ease of Doing business through IBC related measures:
 - Minimum threshold to initiate insolvency proceedings raised to Rs. 1 crore (from Rs. 1 lakh, which largely insulates MSMEs).
 - Special insolvency resolution framework for MSMEs under Section 240A of the Code to be notified soon.
 - Suspension of fresh initiation of insolvency proceedings up to one year depending upon the pandemic situation.
 - Empowering Central Government to exclude COVID 19 related debt from the definition of "default" under the Code for the purpose of triggering insolvency proceedings.

10. Decriminalisation of Companies Act defaults:

- Decriminalization of Companies Act violations involving minor technical and procedural defaults (short comings in CSR reporting, inadequacies in board report, filing defaults, delay in holding AGM).
- Majority of the compoundable offences sections to be shifted to internal adjudication mechanism (IAM) and powers of RD for compounding enhanced (58 sections to be dealt with under IAM as compared to 18 earlier).
- The Amendments will de-clog the criminal courts and NCLT.
- 7 compoundable offences altogether dropped and 5 to be dealt with under alternative framework.

11. Ease of Doing Business for Corporates: Further key reforms to include–

- Direct listing of securities by Indian public companies in permissible foreign jurisdictions.
- Private companies which list NCDs on stock exchanges not to be regarded as listed companies.
- Including the provisions of Part IXA (Producer Companies) of Companies Act,1956 in Companies Act,2013.
- Power to create additional/specialized benches for NCLAT
- Lower penalties for all defaults for Small Companies, One-person Companies, Producer Companies & Start Ups.

This document excludes measures which are generally not applicable on MSME businesses such as sectorial reforms. For relaxation in statutory and compliance matters refer to our separate blog document.

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