

All about MSME

MSME is now a new Buzz word which gives new light to specially small and mid-size business enterprises which has affected due to COVID-19. Please see below a short summary on few important aspect of MSME.

1) New Definition:

| New Definition (based on Investment in Plant & Machinery & Turnover) | | | |
|---|--|--|--|
| Classification | Micro | Small | Medium |
| Manufacturing & Services | Investment < Rs. 1Cr and Turnover < Rs. 5 Cr | Investment < Rs. 10Cr and Turnover < Rs. 50 Cr | Investment ≤ Rs. 50 Cr and Turnover < Rs. 250 Cr |

Note: -

- Turnover means Domestic Turnover only and do not include Export Turnover
- Investment means investment in core business or profession only.

2) Registration:

- A Company can authorise a Director (preferably by passing a Board Resolution) to apply for MSME registration.
- The Director so authorise can provide his Aadhar detail for registration. (It is advisable to furnish Aadhar of Promoter Director to avoid frequent change in MSME registration due to change in Employee Director)
- The Registration process is very simple and generates TWO OTP – one on mobile number and one on email id of the director who is furnishing his Aadhar Number.
- Once the registration is obtained, the Company must mention MSME Registration Number on its Invoice and other communications.

3) Benefits of Registration as MSME:

- Avail loan from Bank which is earmarked for MSME by RBI directives.
- Collateral free credit (Credit Guarantee Scheme) available to all SMEs (both the old as well as the new). Small Industries Development Bank of India (SIDBI) and the Ministry of Micro, Small and Medium Enterprise to ensure its implementation. Up to Rs.50 Lac per individual MSME it can be availed.
- Interest rate exemption of 1% on the Over Draft
- Receipts of Payments from Buyer within 45 Days from acceptance or deemed acceptance of goods or service, otherwise he will be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.
- Any Dispute can be referred to the Micro and Small Enterprises Facilitation Council which will be decided within a period of Ninety days from the date of making such a reference.
- Avail incentives for craft fair, exhibition and subsidies.
- Concession in Electricity Bills
- Allowed to carry forward credit for Minimum Alternate Tax (MAT) up to 15 years instead of 10 years MSME registration helps in getting government tenders.
- Under bank loan, 15% import subsidy on fully automatic machinery
- It becomes easy to get licenses, approvals and registrations irrespective of field of business
- Exemption of all expenses incurred for obtaining ISO certificate
- Registered MSMEs gets tariff subsidies and tax & capital subsidies for improvising infrastructure
- Gets exemption under Direct Tax Laws

4) Benefits under “ATMANIRBHAR BHARAT” – Self Reliant India Movement:**a) Rs. 3 Lakh Crores Collateral free Emergency Credit Line**

- Banks and NBFC shall provide loan under Emergency Credit Line Guarantee Scheme (ECLGS) up to 20% of entire outstanding credit as on February 29, 2020 of such MSME.
- This 20% loan will be fully guaranteed by the Government. (Guarantee on principal and interest)
- No collateral is required by the Bank/NBFC
- MSME with up to Rs.25 Crore outstanding loan and Rs.100 Crore turnover (both condition to fulfil) is eligible to avail this benefit.

- The tenor of loan under the Scheme shall be 4 year with moratorium period of 12 months on Principal repayment
- Interest to be capped at 9.25% for banks and FIs, and at 14% for NBFCs. Scheme can be availed till 31st October 2020
- No Guarantee fee, no fresh collateral.

b) Rs. 20,000 Crores Subordinate Debt for stressed MSMEs:

- MSMEs which are Non-Performing Assets for any Bank or MSME which is stressed will be eligible for this scheme.
- This Scheme is likely to benefit over 2 lakh MSMEs
- Government will provide support of Rs.4,000 crore to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), which in turn will provide partial credit guarantee support to Banks.
- Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.

c) Rs. 50,000 Crore Equity infusion through MSMEs through Fund of Funds

- Under this Scheme, Rs.10,000 crore fund/corpus to be setup to bring equity which is acutely short in MSME
- MSME can expand its business and enable to get listed on main board of Stock Exchanges
- The fund will be operated by a Mother fund and will have a few Daughter funds.
- The fund will infuse Rs. 50,000 Crore at daughter funds level

d) Global tenders to be disallowed upto Rs. 200 Crores:

- To boost Self reliant India, Make in India and Vocal for Local initiatives, Global tenders will be disallowed in Government procurement tenders up to Rs.200Crores.
- Earlier, only 20 % was reserved for domestic MSMEs, including 3 % for SC/ST entrepreneurs and another 3 % for women entrepreneurs.

MSME is a new domain and requires special time and attention depends on specific requirement of a client. We do provide consultancy and registration of MSME to help your business grow and take benefits under various schemes issued by Govt of India on case to case basis. Please feel free to contact us for more detail.

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