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## **Moving to Industry 4.0 – Apparel 4.0 – Smart Manufacturing**

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**WAY FORWARD**

# Existing and Revised Definition of MSME



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. 6 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

## 1. Corpus Fund

A 50,000 crore fund will be formed in which the Government would introduce 10,000 crores. This Fund will be managed by National Small Industries Corporation and other Governmental bodies. MSMEs having a good credit rating can avail around 15% of their equity from this fund for their capital requirement.

It is predicted that around 25 Lakh MSME enterprises would benefit from this scheme. The detailed guidelines for these fund utilization are awaited by Government.

## 2. Subordinate Debt Fund

A subordinate debt fund of Rs 20000 crore is created by Government for those MSMEs whose accounts are overdue on 29<sup>th</sup> February 2020 for more than 60 days and needs restructuring.

A MSME can take debt from this fund and use it as quasi capital for getting their existing account restructured. The due date for the earlier scheme of restructuring is extended from 31<sup>st</sup> March 2020 to 31<sup>st</sup> December 2020 considering this scheme announced.

It is predicted that around 2 Lakh MSME enterprises who are in stress would be benefited from this. The detailed guidelines for these fund utilization are awaited by Government.

## 3. Emergency Working Capital facility

### • Eligibility

An amount of Rs 3 Lakh crore has been announced as a Guaranteed Emergency Working Capital for those organizations who have an overdue balance up to Rs. 25 crores on 29<sup>th</sup> February 2020 up to 60 days and have a turnover not more than 100 crores for the FY 2019-20. These loans will be guaranteed 100% by the Government.

### • Disbursal

Under this scheme, 20% of the overdue balance would be disbursed to the borrower in a separate loan account. However, the borrower can opt-out of it if wants to also banks have to take a prudent judgment while disbursement of such loans.

### • Rate of Interest

The rate of interest charged by the banks for such loans will be external Benchmark Rate + 1% (capping of 9.25% p.a. ) while for NBFC it would be up to 14% p.a. There would be no processing charges, guarantee charges, or penalty charges for such a loan.

### • Repayment schedule

A 4 years tenor for repayment would be provided to this loan with one-year moratorium and 36 months installments.

#### **The validity of the scheme**

This scheme is valid up to 31<sup>st</sup> October 2020 or till this fund is exhausted whichever is earlier.

#### **4. Tender**

Global Tendering is closed would be disallowed up to Rs. 200 crores. These tenders would be bid by local MSME only. In case any global tender is to be floated in this criteria then prior approval of The Finance ministry has to be taken.

General Financial Rules have been notified on 15<sup>th</sup> May 2020 with regards to the same.

#### **5. Employees Provident Fund support**

The Government would be contributing the Employer and employee contribution towards Provident fund to the UAN of the employee directly up to the salary of August 2020. This scheme is applicable to the organization having the number of employees up to 100 and out of which 90% of employees draw a salary less than 15000. Also the organizations will have to file ECR regularly.

For all other employers who are not covered above, the rate of PF contribution for the employer as well as employee contribution will be reduced to 10% instead of 12%.

#### **6. Relief to contractors**

- The contract period for various PSU contracts will be extended up to 6 months.
- To ensure cash margin and collateral requirements for the contractors the bank-guarantees will be partially released to the extent the work has been completed.

#### **7. Interest Subvention**

2% interest subvention for one year is given to Mudra Shishu Loans up to Rs 50000 provided the installments are otherwise paid promptly by the borrowers.

#### **8. Others**

- Trade fairs and exhibitions are being replaced by E-market linkages
- To promote transaction-based lending Fintech organizations are getting the licence to work
- Refunds have been issued to assessee irrespective of the assessments pending
- The ITR filing returns dates have been extended to 30<sup>th</sup> November 2020
- Tax Audit dates have been extended to 31<sup>st</sup> October 2020
- Time barred Assessment dates have been extended to 31<sup>st</sup> March 2021 and 30<sup>th</sup> September 2021
- Vivad se Vishwas scheme has been extended up to 31<sup>st</sup> December 2020 without any interest payment.

These are some of the key points that were highlighted in the Government announced relief fund. It's too early to assume the success of these schemes, yet the scheme turned out to be a ray of light in the lockdown.



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Sachin Jindal is qualified Chartered Accountant and a certified Indirect Taxation expert by the Institute of Chartered Accountants of India. Sachin Jindal is a practicing Chartered Accountant and a partner in M/s. VJM & Associates LLP (Chartered Accountants), which caters to multi-disciplinary service offerings for domestic and international clientele.

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