

R C Jain & Associates LLP

Since 1986...

**Topic : Micro, Small & Medium Enterprises
(MSMEs)**



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Meaning

- The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based
 - (i) on the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods
 - (ii) on the investment in equipment for enterprises engaged in providing or rendering of Services.
- The investment in plant and machinery is the original cost excluding land and building and other items specified by the Ministry of Small Scale Industries vide its notification no. S.O. 1722 (E) dated 05.10.2006.
- The guidelines with regard to investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are:

Meaning

Nature of activity of the Enterprise	Investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods	Investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore)
Micro Enterprises	Not exceeding Rs.25.00 Lakhs	Not exceeding Rs.10.00 Lakhs
Small Enterprises	More than Rs.25.00 lakhs but does not exceed Rs.500.00 lakhs	More than Rs.10.00 lakhs but does not exceed Rs.200.00 lakhs
Medium Enterprises	More than Rs.500.00 lakhs but does not exceed Rs.1000.00 lakhs	More than Rs.200.00 lakhs but does not exceed Rs.500.00 lakhs

In the month of February, 2018, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved change in the definition of the MSMEs.

Nature of activity of the Enterprise	Annual Turnover for enterprises engaged in manufacturing or production, processing or preservation of goods	Annual Turnover for enterprises engaged in providing or rendering of services .
Micro Enterprises	Annual turnover is less than Rs.5 cr.	Annual turnover is less than Rs.5 cr.
Small Enterprises	Annual turnover is between Rs. 5 Cr to Rs. 75 cr.	Annual turnover is between Rs. 5 Cr to Rs. 75 cr.
Medium Enterprises	Annual turnover is between Rs. 75 Cr to Rs. 250 cr.	Annual turnover is between Rs. 75 Cr to Rs. 250 cr.

Registration Process.

➤ **DOCUMENTS REQUIRED FOR REGISTRATION UNDER MSME**

- 1) Person or an entity must have PAN Number and Aadhar Card Number.
- 2) If the entity is any Partnership Firm/ Company, then any of one Partner/ Director must have Aadhar No.
- 3) Entity must have Mobile No. and E-Mail Id
- 4) No. of persons employed in such Firm/ Entity Declaration required from Proprietor/ Partner/ Director regarding Amount of investment in Plant and machinery on their letter head.
- 5) Rent Deed/ Copy of Registry of property where the office is situated

Registration Process.

- The Registration can be done through the following website www.online-msme.com

The screenshot displays the 'Online MSME Registration' website. The header includes the logo and the text 'सूक्ष्म, लघु और मध्यम उद्यम पंजीकरण Organization of Micro, Small & Medium Enterprises Registration'. A navigation menu contains links for MSME REG, UDYOG AADHAAR REG, UPDATE MSME REG (NEW), DATABANK REG (NEW), GST REG (NEW), FAQ, TRACK, SAMPLE CERTIFICATE, and CONTACT US. Below the menu is a green banner with the text 'National Portal for Registration of Micro, Small & M'. The main content area features an orange 'Enquire Now' button and a registration form titled 'MSME / Udyog Aadhaar Registration - Online Application Form'. The form is divided into two columns. The left column contains five numbered sections: 1. Aadhaar Number / आधार संख्या (with a text input field), 2. Name of Applicant/Entrepreneur / उद्यमी का नाम (with a text input field and a 'Please fill out this field.' tooltip), 3. Social Category / सामाजिक वर्ग (with radio buttons for General, SC, ST, and OBC), 4. Gender / लिंग (with radio buttons for Male and Female), and 5. Physically Handicapped / शारीरिक रूप से विकलांग (with radio buttons for Yes and No). The right column contains five numbered instructions corresponding to the form fields. The browser's address bar shows 'https://online-msme.com'. The Windows taskbar at the bottom shows the system tray with the date '22/11/2018' and time '18:51'.

MSME / Udyog Aadhaar Registration - Online Application Form

1. Aadhaar Number / आधार संख्या
Your Aadhaar Number

2. Name of Applicant/Entrepreneur / उद्यमी का नाम
Name as per Aadhaar
Please fill out this field.

3. Social Category / सामाजिक वर्ग
 General SC ST OBC

4. Gender / लिंग
 Male Female

5. Physically Handicapped / शारीरिक रूप से विकलांग
 Yes No

1. Aadhaar Number: Fill 12 digit Aadhaar number issued to the applicant in the appropriate field.

2. Name of Applicant: Fill name of Applicant as mentioned on the Aadhaar Card.

3. Social Category: Select the Social Category of applicant from the given options.

4. Gender: Select the gender from provided option

5. Physically Handicapped: Select the status from provided options

Important Provisions of MSMED, 2006

CHAPTER V DELAYED PAYMENTS TO MICRO AND SMALL ENTERPRISES

15. Liability of buyer to make payment.—Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day

: Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance

16. Date from which and rate at which interest is payable.—Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, 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.

Important Provisions of MSMED, 2006

- **23. Interest not to be allowed as deduction from income.**—Notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction.
- **22. Requirement to specify unpaid amount with interest in the annual statement of accounts.**—Where any buyer is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely:—
 - (i) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;
 - (ii) the amount of interest paid by the buyer in terms of section 16, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
 - (iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;
 - (iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
 - (v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

Benefits for MSME Registration

➤ **Presumptive Taxation u/s 44AD.**

Presumptive taxation scheme under section 44AD of the Income Tax Act is available for small and medium enterprises i.e non corporate businesses with turnover or gross receipts not exceeding Two crore rupees. At present about 33 lakh small business people avail of this benefit, which frees them from the burden of maintaining detailed books of account and getting audit done.

➤ **A hefty 50% subsidy on Patent registration.**

Enterprises that have MSME Registration Certificate can avail 50% subsidy for patent registration by making application to respective ministry.

➤ **Reimbursement of ISO Certification charges**

Enterprises that have MSME Registration Certificate can claim reimbursement of ISO Certification expenses by making application to respective authority.

Benefits for MSME Registration

➤ **Collateral Free loans from banks:**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS) was launched by the GOI to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, Government of India and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.

➤ **1% exemption on interest rate on overdraft**

Enterprises that have MSME Registration can avail benefit of 1% exemption on interest rate on OD as mentioned in the scheme (this is bank dependent).

Benefits for MSME Registration

➤ **Eligible for Industrial Promotion subsidy**

Enterprises that have MSME Registration are eligible for **Industrial Promotion Subsidy** as may be prescribed by the government in this behalf.

➤ **Protection against delayed payments**

➤ **Concession in electricity bills**

Enterprises that have MSME Registration Certificate can avail Concession on electricity bill by making application to electricity department along with MSME Registration Certificate.

'Diwali gift' for MSMEs - PM Modi



1. **59-minutes loan-** Narendra Modi said the first step taken by the government was to launch the 59-minute loan sanction portal, which will allow easy and quick credit up to Rs 1 crores to small businesses.
2. **Loan option made easy-** Loan option for GST registered firms will now be available through the GST portal itself.
3. **Interest concession-** Government to raise interest concession on loans for MSME exporters to 5% from 3%. PM Modi also requested large companies to clear bills of MSMEs expeditiously. Over 72,000 MSMEs have been granted loans through this portal, said Modi.

'Diwali gift' for MSMEs - PM Modi

4. Trade receivables and e-discounting systems- All companies with turnover of more than Rs 500 crore would have to now come on Trade Receivables e-Discounting System (TReDS) platform so that there is no cash flow problem for MSMEs.

Receivables Exchange of India Ltd (RXIL), a joint venture between SIDBI and NSE has been set up to operate a TReDS Platform for factoring of the invoices of the MSME's in compliance with TReDS guidelines issued by RBI.

MSME sellers, corporate and other buyers, including the Government Departments and PSUs, and financiers (both banks and NBFC factors) will be direct participants in the TReDS. The bankers joining the platform as financiers can offer their bids/ discount rates against each factoring unit (invoice / bill of exchange) and the MSME seller is free to accept any of the bids. Upon acceptance of the bid, the factoring unit will be financed by the concerned banker/financier.

Factoring is done without recourse to sellers.

'Diwali gift' for MSMEs - PM Modi

5. MSME's led by women- Mandatory for PSUs to procure up to 3 per cent from MSMEs led by women. (Public Procurement Policy)

6. Computerised random allocation & a time frame- 48 hours max will be given to file report for any inspection to an inspector, and they wont decide which factory to go on their own. Computerised random allocation will decide which inspector goes where. **Directorate of Industrial Safety & Health, Govt. of NCT of Delhi.**

7. Pharma clusters for MSMEs- PM Modi said that government will set up pharma clusters for MSMEs. Centre to bear 70% of setup cost. He also said that the Govt is to offer Rs 6,000 crore technology upgradation package for MSMEs.

'Diwali gift' for MSMEs - PM Modi

8. Environmental laws- Easing compliance with environmental rules, MSMEs will need single air and water clearance and just one consent to establish a factory.

9. Relaxation in labour laws- MSMEs will have to file just one annual return on eight labour laws and 10 central rules. Modi added that an ordinance has been promulgated to simplify levy of penalties for minor offences under the Companies Act.

The 59 minute Loan

The government's website for MSME borrowers offers automated processing of loan that provides with a in-principal approval in less than an hour. The automated, contact-less business loan approvals are currently provided for loans worth Rs 10 lakh to Rs 1 crore. The rate of interest starts from 8% and **collateral coverage is not mandatory** because these loans are connected to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme.

The website reduces the turnaround time from 20-25 days to 59 minutes. After approval, the loan will be disbursed in about a week.

Q.12. What is the Credit Guarantee Fund Trust Scheme for MSEs?

- A.12. The Ministry of MSME, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with a view to facilitate flow of credit to the MSE sector without the need for collaterals / third party guarantees. The main objective of the scheme is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral - free credit facilities, failing to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to **85 per cent** of the outstanding amount in default.
- The CGTMSE would provide cover for credit facility up to Rs. 200 lakh which have been extended by lending institutions without any collateral security and /or third party guarantees. A guarantee and annual service fee is charged by the CGTMSE to avail of the guarantee cover.

The 59 minute Loan (Steps)

1. Register
2. Answer 4 questions- Regarding GST details and returns
3. Provide your GST details
4. Provide tax info- Direct tax
5. Provide bank account info
6. Provide details of company directors
7. Provide loan info.

(Now you have to provide details of your business, the purpose of loan, any collateral security and any previous loans.)

8. Select the bank
9. Pay fee

You will have to pay a convenience fee of Rs 1,000 + GST.

Note : However, one should remember that this is sanctioning of a loan and not disbursal. Banks may ask for further clarification, documents to process it further.

Loan Option through GST portal

The screenshot shows the GST portal dashboard. At the top, there is a navigation bar with the text "Goods & Service Tax (GST) | User" and a search icon. Below this is a browser address bar showing the URL "https://return.gst.gov.in/returns/auth/dashboard". The dashboard itself has a header with "Dashboard > Returns" and a language selector set to "English".

The main content area is titled "File Returns" and contains two yellow informational banners. The first banner states: "Change in return frequency for normal taxpayers who has selected quarterly return filing and has not filed GSTR-1 quarterly has been enabled." The second banner states: "GSTR-2A can now be downloaded in excel/CSV format for your reference and further use".

Below the banners is a search form with two dropdown menus: "Financial Year" (set to "2018-19") and "Return Filing Period" (set to "October"). A "SEARCH" button is located to the right of these dropdowns. A red dot next to the "Financial Year" label indicates a mandatory field. A legend on the right side of the form states: "Indicates Mandatory Fields".

Below the search form is a section titled "Consent form for Taxpayers, who are MSME:". The text in this section reads: "If you are Micro, Small and Medium Enterprises (MSME), then you may be eligible to access credit of Rs.10 lakhs – Rs.1.00 crore under loan scheme www.psbloansin59minutes.com coordinated by the Department of Financial Services (DFS), subject to fulfilment of certain term and conditions of the scheme. If you are willing to be considered for the loan scheme, please provide your consent to the GSTN to share your following information with the DFS:"

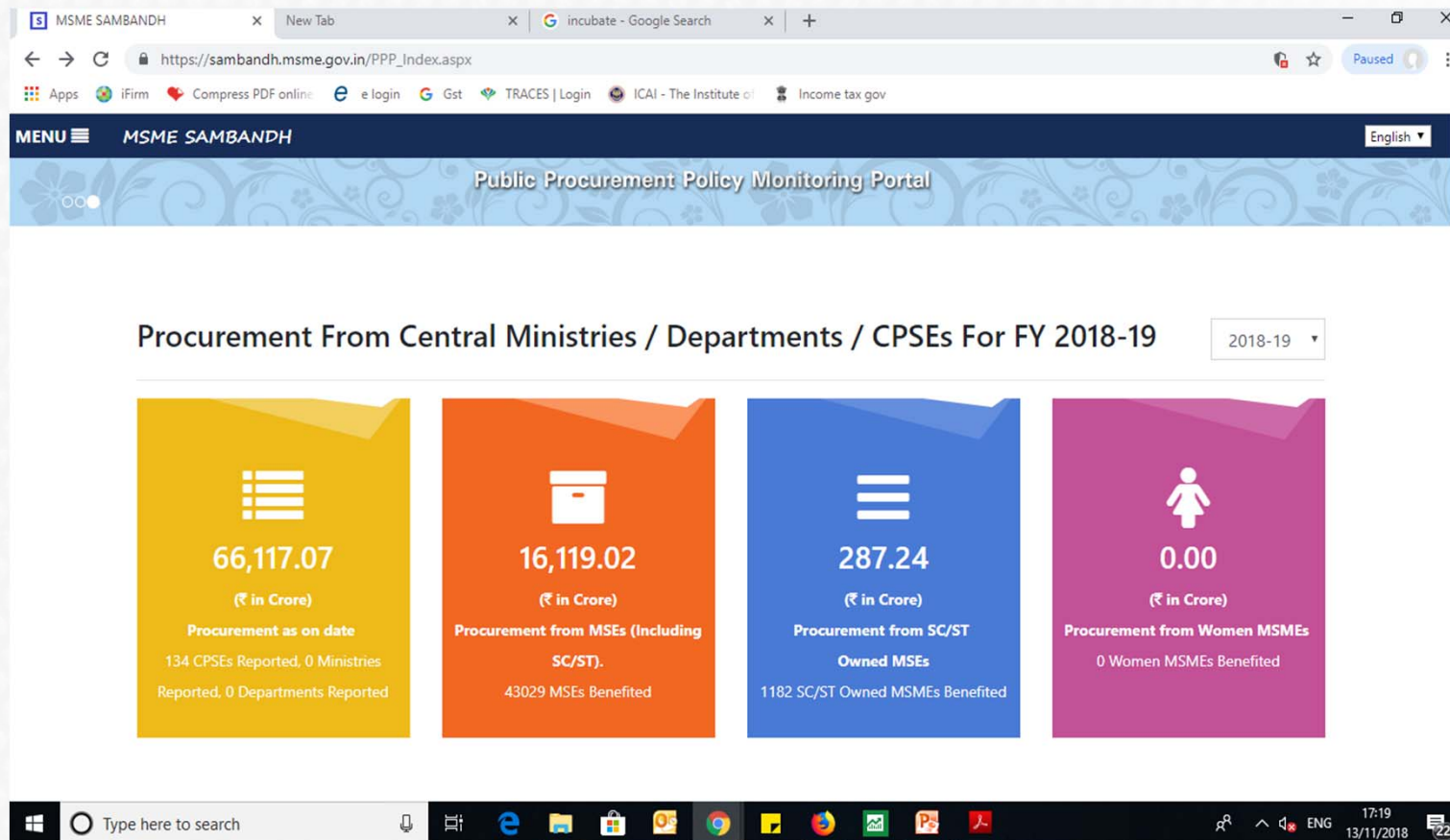
The list of information to be provided is:

1. Name of Entity
2. GSTIN
3. Place Of Business
4. Authorized representative
 - a. Name
 - b. Mobile No.
 - c. E-mail
5. Your Primary Bank IFSC Code

Below the list is the question: "Do you want to provide your consent for sending the above information to DFS ?". There are three radio button options: "YES", "NO", and "WILL DECIDE LATER". The "WILL DECIDE LATER" option is currently selected.

At the bottom of the page, there is a "Top" button and a Windows taskbar showing the time as 16:32 on 20/11/2018.

- Delayed Payment is governed by the provision in The MSMED Act. Ministry has also launched a delayed payment monitoring portal, namely “**MSME SAMADHAN**”.



Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012

▪ **The Policy:**

- Public Procurement Policy for MSEs Order, 2012 has been notified under section 11 of MSMED Act, 2006.
- The Policy is effective from 1st April 2012 (Gazette notification on 26th March 2012).
- The objective of Policy is promotion and development of Micro and Small Enterprises by supporting them in marketing of products produced and services rendered by them. However, the policy rests upon core principle of competitiveness, adhering to sound procurement practices and execution of supplies in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

▪ **Salient features of the Policy:**

- Every Central Ministry /Department / PSUs shall set an annual target for 20% procurement from MSE Sector.
- A sub-target of 4% out of 20% target of annual procurement earmarked for procurement from MSEs owned by SC/ST entrepreneurs.
- Overall procurement goal of minimum 20% has become mandatory from 1st April 2015.
- Tender sets free of cost and exemption from payment of earnest money to registered MSEs.
- MSEs quoting price within price band L-1 + 15%, when L1 is from someone other than MSE, shall be allowed to supply at least 20% of tendered value at L-1 subject to lowering of price by MSEs to Page 12
- 358 items are reserved for exclusive procurement from MSEs.

MSME Schemes

Credit Linked Capital Subsidy Scheme for Technology Upgradation

Description

Technology up-gradation would mean a significant step up from present technology level to a substantially higher one involving improved productivity, and/or improvement in quality of products and/or improved environmental conditions including work environment for the unit.

Replacement of existing equipment/technology with same equipment/technology will not qualify for subsidy under this scheme, nor would scheme be applicable to units upgrading with second hand machinery.

Nature

15% up-front capital subsidy to SSI units.

For FY 2018-19 (upto 30.09.2018) Rupees. 948.6709 crores have been released.

ISO 9000/ISO 14001 Certification Reimbursement Scheme

Description

The scheme provides incentive to those small scale/ancillary undertaking who have acquired ISO 9000/ISO 14001/HACCP certifications. The scheme enlarged so as to include reimbursement of expenses for acquiring ISO 14001 certification.

Nature of assistance

Scheme envisages reimbursement of charges of acquiring ISO9000/ISO-14001/HACCP certifications to the extent of 75% of expenditure subject to a maximum of Rs.75,000 in each case

7. National Awards (for individual MSEs)

Ministry of Micro, Small and Medium Enterprises with a view to recognising efforts and contribution of MSMEs gives National Award annually to selected entrepreneurs and enterprises under the scheme of National Award.

Categories of Awards

▪ National Awards

- 1st prize – Rs 1,00,000
- 2nd prize – Rs 75,000
- 3rd prize – Rs 50,000

Special category awards of Rupees 1.00 Lakh each for women and SC/ST Category.

Performance and Credit Rating Scheme (NSIC Scheme)

Description

- An independent, trusted third party opinion on capabilities
- Credit-worthiness of SSIs
- Availability of credit at attractive interest
- Recognition in global trade
- Prompt sanctions of credit from banks and financial institutions

Empanelled Agencies:

1. CRISCIL
2. CARE
3. ICRA
4. SMERA
5. Brickworks Ratings

Assistance

Turnover of SSI	Reimbursement of fee through NSIC
Upto Rs.50 lakhs	75% of the fee or Rs.25000 (Whichever is less)
Above Rs.50 to 200 lakhs	75% of the fee or Rs.30,000 (Whichever is less)
More than Rs.200 lakhs	75% of the fee or Rs.40,000 (Whichever is less)



Open House Discussions

*Thank
you*

