

MICRO, SMALL AND MEDIUM ENTERPRISES

New MSME Definition introduced in *'Atmanirbhar Bharat Abhiyan'* or *Self-reliant India Scheme 2020*

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- **What is MSME Registration?**

MSME stands for micro small and medium enterprises. The government of India has enacted the micro, small and medium enterprises development (MSMED) Act, 2006 to boost the small businesses. Micro, small and medium enterprises in manufacturing and service sector can obtain the registration under MSME Act.

- **When to apply for MSME?**

MSME registration is at the own discretion of the business owner. However, it is advisable to obtain MSME registration right after the incorporation in order to access the subsidies and schemes.

- **Is MSME registration mandatory?**

As per the MSMED Act, the MSME registration is a voluntary registration. But it is advisable to register under MSME Act that provides a host of benefits and access to schemes. The purpose of MSME / UDYOG AADHAR registration is to avail the benefits and subsidies provided by the government.

New MSME Definition

The distinction between the manufacturing and services enterprises has been removed by making the investment amount and annual turnover similar for enterprises engaged in both the sectors.

| Category | Old Capital | Old Turnover | New Capital | New Turnover |
|----------|-------------|--------------|-------------|--------------|
| Micro | 25 Lacs | 10 lacs | 1 Cr | 5 Cr |
| Small | 5 Cr | 2 Cr | 10 Cr | 50 Cr |
| Medium | 10 Cr | 5 Cr | 50 Cr | 250 Cr |

June 26, 2020, a notification (F. No. 21(5)/2019-P&G/Policy (Pt-IV)) (Notification)

New definition of MSMEs:

- As announced on May 13, 2020, now a composite criterion of investment and turnover shall apply for classification as MSME, as against earlier investment criterion.
- In addition, it has been decided that **exports of goods or services or both shall not be considered** for the purpose of computation of turnover limit.

Becoming a micro, small or medium enterprise

- 1) Any person who intends to establish a micro, small or medium enterprise may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof.
- 2) On registration, an enterprise (referred to as —“Udyam” in the Udyam Registration portal) will be assigned a permanent identity number to be known as — “Udyam Registration Number”.
- 3) An e-certificate, namely, —“Udyam Registration Certificate” shall be issued on completion of the registration process.

Composite criteria of investment and turnover for classification.--

- 1) A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
- 2) If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
- 3) All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

Calculation of investment in plant and machinery or equipment.--

- 1) The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961. 6 THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC. 3(ii)]
- 2) In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
- 3) The expression —plant and machinery or equipment|| of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
- 4) The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
- 5) The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery

Calculation of turnover.--

- 1) Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
- 2) Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
- 3) The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

Registration process.—

- 1) The form for registration shall be as provided in the Udyam Registration portal.
- 2) There will be no fee for filing Udyam Registration.
- 3) Aadhaar number shall be required for Udyam Registration.
- 4) The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).
- 5) In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.

- 6) In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
- 7) No enterprise shall file more than one Udyam Registration: Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.
- 8) Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the Act.

Registration of existing enterprises.---

- 1) All existing enterprises registered under EM–Part-II or UAM shall register again on the Udyam Registration portal on or after the 1 st day of July, 2020.
- 2) All enterprises registered till 30th June, 2020, shall be re-classified in accordance with this notification.
- 3) The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of March, 2021.
- 4) An enterprise registered with any other organisation under the Ministry of Micro, Small and Medium Enterprises shall register itself under Udyam Registration.

Updation of information and transition period in classification.--

- 1) An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on selfdeclaration basis.
- 2) Failure to update the relevant information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status.
- 3) Based on the information furnished or gathered from Government's sources including ITR or GST return, the classification of the enterprise will be updated.
- 4) In case of graduation (from a lower to a higher category) or reverse-graduation (sliding down to lower category) of an enterprise, a communication will be sent to the enterprise about the change in the status.

- 5) In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.
- 6) In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place

Facilitation and grievance redressal of enterprises.--

- 1) The Champions Control Rooms functioning in various institutions and offices of the Ministry of Micro, Small and Medium Enterprises including the Development Institutes (MSME-DI) shall act as Single Window Systems for facilitating the registration process and further handholding the micro, small and medium enterprises in all possible manner.
- 2) The District Industries Centres (DICs) will also act as Single Window facilitation Systems in their Districts.
- 3) Any person who is not able to file the Udyam Registration for any reason including for lack of Aadhaar number, may approach any of the above Single Window Systems for Udyam Registration purposes with his Aadhaar enrolment identity slip or copy of Aadhaar enrolment request or bank photo pass book or voter identity card or passport or driving licence and the Single Window Systems will facilitate the process including getting an Aadhaar number and thereafter in the further process of Udyam Registration.
- 4) In case of any discrepancy or complaint, the General Manager of the District Industries Centre of the concerned District shall undertake an enquiry for verification of the details of Udyam Registration submitted by the enterprise and thereafter forward the matter with necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after giving an opportunity to present its case and based on the findings, may amend the details or recommend to the Ministry of Micro, Small or Medium Enterprises, Government of India, for cancellation of the Udyam Registration Certificate.

Key Benefits

- 1) Rs. 3 lakh crores Collateral free Automatic Loans for Business, incl MSME
- 2) Rs. 20,000 crore Subordinate Debt for MSMEs
- 3) Rs. 50,000 crore equity infusion through MSME Fund of Funds
- 4) Global tender to be disallowed upto Rs 200 crores
- 5) Rs. 2500 crores EPF support for Businesses and Workers for 3 more months
- 6) EPF contribution reduced for Business & Workers for 3 months - Rs 6750 crores
- 7) Rs. 30,000 crores Liquidity Facility for NBFC/HCs/MFIs
- 8) Rs. 45,000 cr Partial Credit Guarantee Scheme 2.0 for NBFC
- 9) Rs. 90,000 cr Liquidity Injection for DISCOMs
- 10) Relief to contractors
- 11) Extension of Registration and Completion Date of Real Estate Projects under RERA
- 12) Rs 50,000 cr liquidity through TDS/TCS reductions

Thank you!



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