



आत्मनिर्भर भारत
SELF – RELIANT INDIA

Measures announced by The Finance minister of India | May 13, 2020

Preface

On May 12, 2020, Hon'ble Prime Minister of India Shri Narendra Modi announced a Special Economic and Comprehensive Package of INR 20 Lakh Crores (~ USD 267 billion), which is approximately equivalent to 10% of the India's GDP.

He also gave a Clarion call for Atma Nirbhar Bharath (Self Reliant India) and outlined the five pillars for the clarion such as Economy, Infrastructure, System, Vibrant Demography and Demand.

In the nations fight against COVID-19 pandemic, the Government of India has announced various economic stimulus packages earlier in the last two months during the lockdown period.

On 13th May 2020, the Finance Minister announced the measures focused on “Getting Back to Work” i.e., enabling employees and employers, businesses, especially Micro, Small and Medium Enterprises (MSMEs), to get back to production and workers back to the gainful employment. Measures to strengthen Non-Banking Financial Institutions (NBFCs), Housing Finance Companies (HFCs), Micro Finance Sector (MFIs) and Power and Real Estate Sector have been announced. Apart from this, the extension of time lines for certain tax compliances and certain other relaxations have been announced.

1. Emergency working capital for the businesses, including MSMEs to the tune of INR 3 lakh crores (~ USD 40 billion):

- For business units having outstanding borrowings as on February 29, 2020 up to INR 25 Crores (~ USD 3.3 million) and Turnover up to INR 100 Crores (~ USD 13 million) and their account is standard with banks, additional working capital finance of 20% of the outstanding credit as on February 29, 2020 will be provided in the form of Term Loans at a concessional interest rate.
- Such loans will have a tenor of 4 years with moratorium of 12 months on principal repayment.
- Such additional working capital finance provided along with the Interest will be 100% guaranteed by the Government of India.
- The scheme can be availed up to October 31, 2020.
- The benefit of such additional working capital finance is expected to reach approximately 45 lakh MSMEs.

2. INR 20,000 crore (~ USD 2.67 billion) Subordinate Debt for Stressed MSMEs:

For about 2 lakh stressed MSMEs and MSMEs which are classified as Non-Performing Assets, provision has been made for INR 20,000 crores (~USD 2.67 billion) as subordinate debt. Government will support the Credit Guarantee Trust for Micro and Small enterprises (CGTMSE) with INR 4,000 Crores (~ USD 533 million). CGTMSE will provide partial credit guarantee to the Banks that are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of his existing stake in the unit subject to a maximum of INR 75 lakhs (~ USD 100 thousand).

3. INR 50,000 crores (~ USD 6.67 billion) equity infusion through MSME Fund of Funds:

Government will be setting up a Fund of Funds with a corpus of INR 10,000 crores (~ USD 1.33 billion) that will provide equity funding support to MSMEs. The Fund of Funds will be operated through a Mother and few Daughter Funds. It is expected that with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilise equity of about INR 50,000 crores (~ USD 6.67 billion)

4. New Definition of MSME:

The definition of MSME has been revised as follows:

Existing MSME Classification			
Criteria: Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment < INR 25 Lakhs.	Investment < INR 5 crores.	Investment < INR 10 crores.
Service Enterprises	Investment < INR 10 Lakhs.	Investment < INR 2 crores.	Investment < INR 5 crores.
Revised MSME Classification			
Composite Criteria: Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing and Services Enterprises	Investment < INR 1 crore; and Turnover < INR 5 crore.	Investment < INR 10 crore; and Turnover < INR 50 crore.	Investment < INR 20 crore; and Turnover < INR 100 crore.

5. Other measures for MSMEs:

- MSME receivables from Government and Central Public Sector Enterprises will be released in the next 45 days. This will help the MSMEs to have additional liquidity for running their businesses.
- E-Market linkage for the MSMEs will be promoted to act as replacement for trade fairs and exhibitions.

6. No Global Tenders for Government Tenders of up to INR 200 crores (~ USD 26.67 million) :

Amendments to the General Financial Rules (GFR) of the Government will be made in order to disallow global tender enquiries in procurement of Goods and Services of value of less than INR 200 crores. This will help the Indian MSMEs to participate in the Government Tenders and grow their businesses.

7. INR 30,000 crores (~ USD 4 billion) special liquidity scheme for NBFCs/ HFCs/MFIs:

Under the special liquidity scheme, investments will be made in the both primary and secondary market transactions in investment grade debt paper of NBFCs/ HFCs/MFIs. Such securities will be 100% guaranteed by the Government of India.

8. Employees Provident Fund Support for the business and organised workers:

- In the relief measures announced on March 26, 2020, the Finance Minister had announced that the Government will be paying the both Employer and Employee PF Contribution (24% of their monthly wages) for the month of March, April and May in case of wage earners earning below INR 15,000/- per month in the businesses having less than 100 employees.
- The said benefit has been extended to additional 3 months (June, July and August 2020). This relief is expected to provide additional liquidity of INR 2,500 crores (~ USD 333.33 million) to approximately 3.67 lakh establishments and for 72.22 lakh employees.
- Contributions towards the Employees provident fund to be reduced from 12% to 10% for both Employer Contribution and Employees Contribution for all the establishments covered by the EPFO for the next 3 months. However Central Public Sector Enterprises and Public Sector Undertakings should contribute 12% as employer contribution.
- This will be applicable also to the workers who are not eligible for 24% EPF support as stated in point number A above. This is expected to provide a liquidity of INR 6,750 crores (~ USD 900 million) to employees and employers in the next 3 months and is expected to benefit 6.5 lakhs establishments and 4.3 crores of such employees.

9. INR 45,000 crores (~ USD 6 billion) Partial Credit Guarantee Scheme 2.0 for liabilities of NBFCs/ MFIs:

Existing Partial Credit Guarantee scheme is being revamped and now will be extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs). Government of India will provide 20 percent first loss sovereign guarantee to Public Sector Banks.

10. INR 90,000 crores (~ USD 12 billion) liquidity injection for Power Distribution Companies (DISCOMs):

Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMS to the extent of INR 90,000 crores (~ USD 12 billion) in two equal instalments. This amount will be used by DISCOMS to pay their dues to Transmission and Generation companies. Further, CPSE GENCOs will give a rebate to DISCOMS on the condition that the same is passed on to the final consumers as a relief towards their fixed charges.

11. Relief to Contractors:

- All central agencies like Railways, Ministry of Road Transport and Highways and CPWD will provide extension of up to 6 months for completion of contractual obligations, including in respect of EPC and concession agreements.
- Covers Construction/ Works and goods and services contracts.
- Covers obligations like completion of works, intermediate milestones etc. and extension of concession period for PPP contracts.
- Government agencies will partially release the bank guarantees to the extent of contract are partially completed, to ease cashflows.

12. Relief to Real Estate Projects:

1. Ministry of Housing and Urban Affairs will advise States/ UTs and their Regulatory Authorities to the following effect:
 - State Governments are being advised to invoke the Force Majeure clause under RERA.
 - The registration and completion date for all registered projects expiring on or after March 25, 2020 will be extended up to 6 months without individual applications.
 - Regulatory Authorities may extend this for another period of up to 3 months.
 - Issue fresh 'Project Registration Certificates' automatically with revised timelines.
 - Various statutory compliances under RERA will also be extended concurrently.
2. These measures are expected to de-stress real estate developers and ensure completion of projects so that home buyers are able to get the delivery of their booked houses with new timelines.

13. Tax Related Measures:

- The pending income tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives shall be issued immediately.
- The TDS rates for all non-salaried payment to residents, and tax collected at source rate will be reduced by 25 percent of the specified rates for the remaining period of FY 20-21. This relief is expected to provide liquidity to the tune of INR 50,000 crores (~ USD 6.67 billion). This includes payments for services such as contracts, professional fees, interest, rent, dividends, commissions, brokerage, etc.
- The due date of all Income Tax Returns for Assessment Year 2020-21 will be extended to November 30, 2020. Similarly, tax audit due date will be extended to October 31, 2020 from September 30, 2020.
- Date for assessments getting barred on September 30, 2020 has been extended to December 31, 2020 and those getting barred on March 31, 2021 are extended to September 30, 2021.
- The date for making payment without additional amount under the “Vivad Se Vishwas” scheme has been extended to December 31, 2020.



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