

# आत्मनिर्भर भारत

Part -1 : Businesses including MSMEs

13.05.2020



सत्यमेव जयते  
Government Of India



# Prime Minister's Vision

- Call for **आत्मनिर्भर भारत अभियान** or Self-Reliant India Movement
- **Five pillars of Atmanirbhar Bharat** – Economy, Infrastructure, System, Vibrant Demography and Demand
- **Special economic and comprehensive package of Rs 20 lakh crores** - equivalent to **10% of India's GDP**
- Package to **cater to various sections** including cottage industry, MSMEs, labourers, middle class, industries, among others.
- **Bold reforms** across sectors will drive the country's push towards self-reliance
- It is time to **become vocal for our local products** and **make them global.**



# Pradhan Mantri Garib Kalyan Package (1)

Rs. 1.70 Lakh Crore relief package under Pradhan Mantri Garib Kalyan Yojana for the poor to help them fight the battle against Corona Virus:

- **Insurance cover** of Rs 50 Lakh per health worker
- 80 crore poor people given benefit of **5 kg wheat** or rice per person for next 3 months
- **1 kg pulses for each household** for free every month for the next 3 months
- 20 crore **women Jan Dhan account holders** get Rs 500 per month for next 3 months
- **Gas cylinders, free of cost**, provided to 8 crore poor families for the next 3 months
- **Increase in MNREGA wage** to Rs 202 a day from Rs 182 to benefit 13.62 crore families
- Ex-gratia of Rs 1,000 to 3 crore **poor senior citizen, poor widows and poor Divyang**



# Pradhan Mantri Garib Kalyan Package (2)

- Front-loaded **Rs 2,000** paid to farmers under existing PM-KISAN to benefit 8.7 crore farmers
- **Building and Construction Workers Welfare Fund** allowed to be used to provide relief to workers
- **24% of monthly wages to be credited** into their PF accounts for next three months for wage-earners below Rs 15,000 p.m. in businesses having less than 100 workers
- Five crore workers registered under **Employee Provident Fund EPF** to get **non-refundable advance of 75%** of the amount or three months of the wages, whichever is lower, from their accounts
- Limit of collateral free lending to be increased from Rs 10 to Rs 20 lakhs for Women **Self Help Groups** supporting 6.85 crore households.
- **District Mineral Fund (DMF)** to be used for supplementing and augmenting facilities of medical testing, screening etc..



# Other Measures - 1

- On the request of the Government of India, RBI **raised the Ways and Means advance limits** of States by 60% and **enhanced the Overdraft duration limits**.
- Issued all the **pending income-tax refunds up to ₹5 lakh**, immediately benefiting around 14 lakh taxpayers
- Implemented “**Special Refund and Drawback Disposal Drive**” for all pending refund and drawback claims
- Both the above measures amount to **₹18,000 crore** of refund.
- Sanctioned **Rs 15,000 crores for Emergency Health Response Package**



# Other Measures – 2

- Provided **Relaxation in Statutory and Compliance matters**, such as –
  - Extending last date for Income Tax Returns to June 30, 2020
  - Extending filing GST returns to end of June 2020
  - 24\*7 custom clearance till 30<sup>th</sup> June, 2020
  - Relaxation for 3 months for debit cardholders to withdraw cash free from any ATMs, etc
  - Allowing payment before 15 May, 2020 for Motor Vehicle and Health Insurance Policies
  - Mandatory Board meetings extended by 60 days till 30 September
  - Allowing Extraordinary General Meetings through Video Conference with e-voting/simplified voting facility



# Measures taken by Reserve Bank of India

- Reduction of Cash Reserve Ratio (CRR) has resulted in liquidity enhancement of **₹1,37,000 crores**
- **Targeted Long Term Repo Operations (TLTROs) of ₹1,00,050 crore** for fresh deployment in investment grade corporate bonds, commercial paper, and non-convertible debentures.
- **TLTRO of Rs.50,000 crore** for investing them in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, and MFIs.
- Increased the **banks' limit for borrowing overnight** under the marginal standing facility (MSF), allowing the banking system to **avail an additional ₹1,37,000 crore of liquidity** at the reduced MSF rate.



# Measures taken by Reserve Bank of India

- Announced **special refinance facilities to NABARD, SIDBI and the NHB** for a total amount of **₹50,000 crore** at the policy repo rate
- Announced the opening of a **special liquidity facility (SLF)** of **₹50,000 crore** for mutual funds to alleviate intensified liquidity pressures.
- **Moratorium of three months on payment of instalments and payment of Interest on Working Capital Facilities** in respect of **all Term Loans**
- **Easing of Working Capital Financing** by reducing margins
- For loans by NBFCs to commercial real estate sector, **additional time of one year** has been given for extension of the date for commencement for commercial operations (**DCCO**)





# Businesses including MSMEs

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 cr equity infusion through MSME Fund of Funds**
4. **New definition of MSMEs**
5. **Global tender to be disallowed upto Rs 200 crores**
6. **Other interventions for MSMEs**
7. **Rs 2500 crores EPF support for Businesses and Workers for 3 more months**
8. **EPF contribution reduced for Business & Workers for 3 months- Rs 6750 crores**
9. **Rs 30,000 crores Liquidity Facility for NBFC/HCs/MFIs**
10. **Rs 45,000 cr Partial Credit Guarantee Scheme 2.0 for NBFC**
11. **Rs 90,000 cr Liquidity Injection for DISCOMs**
12. **Relief to contractors**
13. **Extension of Registration and Completion Date of Real Estate Projects under RERA**
14. **Rs 50,000 cr liquidity through TDS/TCS reductions**
15. **Other Direct tax Measures**
16. **Other Direct Tax Measures**

# Rs 3 lakh crores Collateral-free Automatic Loans for Businesses, including MSMEs

- Businesses/MSMEs have been badly hit due to COVID19 need additional funding to meet operational liabilities built up, buy raw material and restart business
- **Decision: Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020**
  - Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible
  - Loans to have **4 year tenor** with **moratorium of 12 months** on Principal repayment
  - **Interest to be capped**
  - **100% credit guarantee cover** to Banks and NBFCs on principal and interest
  - Scheme can be availed till **31<sup>st</sup> Oct 2020**
  - **No guarantee fee, no fresh collateral**
- **45 lakh units** can resume business activity and safeguard jobs.



# Rs 20,000 crores Subordinate Debt for Stressed MSMEs

- Stressed MSMEs need equity support
- GoI will facilitate provision of **Rs. 20,000 cr** as subordinate debt
- **Two lakh MSMEs** are likely to benefit
- Functioning MSMEs which are **NPA or are stressed** will be eligible
- Govt. will provide a support of **Rs. 4,000 Cr.** to CGTMSE
- CGTMSE 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.



# Rs 50,000 cr. Equity infusion for MSMEs through Fund of Funds

- MSMEs face severe shortage of Equity.
- Fund of Funds with **Corpus of Rs 10,000 crores** will be set up.
- Will provide equity funding for **MSMEs with growth potential and viability.**
- FoF will be operated through a **Mother Fund** and few **daughter funds**
- **Fund structure will help leverage Rs 50,000 cr of funds at daughter funds level**
- Will help to expand MSME size as well as capacity.
- Will **encourage MSMEs to get listed** on main board of Stock Exchanges.



# New Definition of MSMEs

- Low threshold in MSME definition have created a fear among MSMEs of graduating out of the benefits and hence killing the urge to grow.
- There has been a long-pending demand for revisions.

## Announcement:

- Definition of MSMEs will be revised
- **Investment limit** will be **revised upwards**
- **Additional criteria of turnover** also being introduced.
- Distinction between manufacturing and service sector to be eliminated.
- Necessary **amendments to law** will be brought about.



# Existing and Revised Definition of MSMEs

<b>Existing MSME Classification</b>			
<b>Criteria : Investment in Plant &amp; Machinery or Equipment</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Mfg. Enterprises</b>	<b>Investment &lt; Rs. 25 lac</b>	<b>Investment &lt; Rs. 5 cr.</b>	<b>Investment &lt; Rs. 10 cr.</b>
<b>Services Enterprise</b>	<b>Investment &lt; Rs. 10 lac</b>	<b>Investment &lt; Rs. 2 cr.</b>	<b>Investment &lt; Rs. 5 cr.</b>

<b>Revised MSME Classification</b>			
<b>Composite Criteria : Investment And Annual Turnover</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Manufacturing &amp; Services</b>	<b>Investment &lt; Rs. 1 cr. and Turnover &lt; Rs.5 cr.</b>	<b>Investment &lt; Rs. 10 cr. and Turnover &lt; Rs.50 cr.</b>	<b>Investment &lt; Rs. 20 cr. and Turnover &lt; Rs.100 cr.</b>

# Global tenders to be disallowed upto Rs 200 crores

- Indian MSMEs and other companies have often faced unfair competition from foreign companies.
- **Therefore, Global tenders will be disallowed in Government procurement tenders upto Rs 200 crores**
- **Necessary amendments of General Financial Rules will be effected.**
- This will be a step towards **Self-Reliant India (आत्मनिर्भर भारत)** and support **Make in India**
- This will also help MSMEs to increase their business.



# Other interventions for MSMEs

- MSMEs currently face problems of marketing and liquidity due to COVID.
- **e-market linkage** for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- Fintech will be used to **enhance transaction based lending using the data generated by the e-marketplace.**
- Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings.
- **MSME receivables from Gov and CPSEs to be released in 45 days**





# Rs. 2500 crore EPF Support for Business & Workers for 3 more months

- Businesses continue to face financial stress as they get back to work.
- Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of 12% of employer and 12% employee contributions was made into EPF accounts of eligible establishments.
- This was provided earlier for salary months of March, April and May 2020
- **This support will be extended by another 3 months to salary months of June, July and August 2020**
- This will provide liquidity relief of **Rs 2500 cr** to 3.67 lakh establishments and for 72.22 lakh employees.



# EPF contribution reduced for Business & Workers for 3 months- Rs 6750 crores Liquidity Support

- Businesses need support to ramp up production over the next quarter.
- It is necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues,
- Therefore, **statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months.**
- CPSEs and State PSUs will however continue to contribute 12% as employer contribution.
- **This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.**
- This will provide **relief to about 6.5 lakh establishments** covered under EPFO and about **4.3 crore such employees.**
- This will provide **liquidity of Rs 6750 Crore to employers and employees over 3 months.**



# Rs 30,000 crore Special Liquidity Scheme for NBFCs/HFCs/MFIs

- NBFCs/HFCs/MFIs are finding it difficult to raise money in debt markets.
- Government will launch a **Rs 30,000 crore Special Liquidity Scheme**
- Under this scheme investment will be made in **both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs**
- Will supplement RBI/Government measures to augment liquidity
- Securities will be **fully guaranteed by GoI**
- This will provide liquidity support for NBFCs/HFC/MFIs and mutual funds and create confidence in the market.



# Rs 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs

- NBFCs, HFCs and MFIs with low credit rating require liquidity to do fresh lending to MSMEs and individuals
- Existing PCGS scheme to be extended to **cover borrowings** such as primary issuance of Bonds/ CPs (liability side of balance sheets) of such entities
- **First 20% of loss will be borne by the Guarantor ie., Government of India.**
- AA paper and below including unrated paper eligible for investment (esp. relevant for many MFIs)
- This scheme will result in **liquidity of Rs 45,000 crores**



# Rs. 90,000 Cr. Liquidity Injection for DISCOMs

- Revenues of Power Distribution Companies (DISCOMs) have plummeted.
- **Unprecedented cash flow problem** accentuated by demand reduction
- DISCOM payables to Power Generation and Transmission Companies is currently ~ Rs 94,000 cr
- **PFC/REC to infuse liquidity of Rs 90,000 cr to DISCOMs against receivables**
- Loans to be given **against State guarantees** for exclusive purpose of discharging liabilities of Discoms to Gencos.
- **Linkage to specific activities/reforms:** Digital payments facility by Discoms for consumers, liquidation of outstanding dues of State Governments, Plan to reduce financial and operational losses.
- Central Public Sector Generation Companies shall give **rebate to Discoms** which shall be passed on to the final consumers (industries)



# Relief to Contractors

- **Extension of up to 6 months** (without costs to contractor) to be provided by all Central Agencies (like Railways, Ministry of Road Transport & Highways, Central Public Works Dept, etc)
  - Covers construction/ works and goods and services contracts
  - Covers obligations like completion of work, intermediate milestones etc. and extension of Concession period in PPP contracts
- **Government agencies to partially release bank guarantees**, to the extent contracts are partially completed, to ease cash flows



# Extension of Registration and Completion Date of Real Estate Projects under RERA

- Adverse impact due to COVID and projects stand the risk of defaulting on RERA timelines. Time lines need to be extended.
- Ministry of Housing and Urban Affairs will advise States/UTs and their Regulatory Authorities to the following effect:
  - Treat COVID-19 as an **event of 'Force Majeure'** under RERA.
  - Extend the **registration and completion date** suo-moto by 6 months for all registered projects expiring on or after 25<sup>th</sup> March, 2020 without individual applications.
  - Regulatory Authorities may extend this for another period of upto 3 months, if needed
  - Issue **fresh 'Project Registration Certificates'** automatically with revised timelines.
  - Extend timelines for various statutory compliances under RERA concurrently.
- These measures will de-stress real estate developers and ensure completion of projects so that homebuyers are able to get delivery of their booked houses with new timelines.



# Rs 50,000 crores liquidity through TDS/TCS rate reduction

- In order to provide more funds at the disposal of the taxpayers, the rates of Tax Deduction at Source (TDS) for non-salaried specified payments made to residents and rates of Tax Collection at Source (TCS) for the specified receipts shall be reduced by 25% of the existing rates.
- Payment for contract, professional fees, interest, rent, dividend, commission, brokerage, etc. shall be eligible for this reduced rate of TDS.
- This reduction shall be applicable for the remaining part of the FY 2020-21 i.e. from tomorrow to 31<sup>st</sup> March, 2021.
- **This measure will release Liquidity of Rs. 50,000 crore.**





# Other Direct Tax Measures

- **All pending refunds to charitable trusts and non-corporate businesses & professions** including proprietorship, partnership, LLP and Co-operatives shall be issued immediately.
- **Due date of all income-tax return** for FY 2019-20 will be extended from 31<sup>st</sup> July, 2020 & 31<sup>st</sup> October, 2020 **to 30th November, 2020** and **Tax audit** from 30<sup>th</sup> September, 2020 **to 31st October, 2020.**



# Other Direct Tax Measures

- **Date of assessments** getting barred on 30th September,2020 extended to 31st December,2020 and those getting barred on 31st March,2021 will be extended to 30th September,2021.
- Period of **Vivad se Vishwas Scheme** for making payment without additional amount will be **extended to 31st December,2020.**





Government Of India

**Thank You**