Micro, Small and Medium Enterprises
Context, Scope and Benefits

Anand Bathiya
Some facts about MSMEs

- As per 2016 survey there are a staggering **6.3 crore** MSMEs in India, with an almost equal distribution in Manufacturing, Services and Trading.

- As per 2016 survey, MSMEs created **12 crore** jobs, again with an almost equal distribution in Manufacturing, Services and Trading.

- MSMEs contribute **30%** to India’s GDP.

- MSMEs contribute to a whooping almost **50%** of the total exports from India.

- Until April 2020 **1.37 crore** MSMEs have registered themselves under MSMEDA 2006. Significant jump in last 12 months.

- Uttar Pradesh and West Bengal have the highest number of MSME enterprises with Maharashtra being the fourth.

**Micro, Small and Medium Enterprises (MSMEs) are amongst the strongest drivers of economic development, innovation and employment in India.**
Why does India have such large number of MSMEs?

**Entrepreneurship**
India is a land of entrepreneurs. As per a 2019 study, India ranks second in the world.

**Age of Population**
Relatively young average age of population has its impression on the age of average enterprise.

**Limited Access of Finance**
India is a capital starved country and access to capital and finance remains the single-biggest challenge.

**Recent Opening-up**
Post liberalization and abolishing of license-raj enabled a better policy regime for entrepreneurship.

**Lack of Ecosystem**
For a long time an enabling ecosystem was missing for MSMEs. The ecosystem today has scope for further improvement.

Every large corporation, was once a MSME.
How does law define MSMEs?

<table>
<thead>
<tr>
<th>Existing MSME Classification</th>
<th>Criteria : Investment in Plant &amp; Machinery or Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>Micro</td>
</tr>
<tr>
<td>Mfg. Enterprises</td>
<td>Investment&lt;Rs. 25 lac</td>
</tr>
<tr>
<td>Services Enterprise</td>
<td>Investment&lt;Rs. 10 lac</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revised MSME Classification</th>
<th>Composite Criteria : Investment And Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>Micro</td>
</tr>
<tr>
<td>Manufacturing &amp; Services</td>
<td>Investment&lt; Rs. 1 cr. and Turnover &lt; Rs.5 cr.</td>
</tr>
<tr>
<td></td>
<td><strong>50 cr.</strong></td>
</tr>
</tbody>
</table>
What is not considered in Plant and Machinery?

RBI notification – 5th October 2006

(i) equipment such as tools, jigs, dyes, moulds and spare parts for maintenance and the cost of consumables stores;
(ii) installation of plant and machinery;
(iii) research and development equipment and pollution control equipment;
(iv) power generation set and extra transformer installed by the enterprise as per regulations of the State Electricity Board;
(v) bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
(vi) procurement or installation of cables, wiring, bus bars, electrical control panels, oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant and machinery or for safety measures;
(vii) gas producer plants;
(viii) transportation charges for indigenous machinery from the place of their manufacture to the site of the enterprise;
(ix) charges paid for technical know-how for erection of plant and machinery;
(x) such storage tanks which store raw material and finished products and are not linked with the manufacturing process; and
(xi) firefighting equipment.
How does one register for a MSME?

Simple, hassle-free, self-declaration, online, automated process.

Do it yourself at www.udyogaadhaar.gov.in
What benefits are available to a MSME?

- More than 30 schemes to support various MSME categories
- SAMADHAAN – SAMBANDH - SAMPARK
- Priority Sector Lending for MSME
- Interest subvention scheme
- TReDS
- Liberalized provisioning and debt restructuring
- Mandatory reporting of MSME dues
- Fast-track exit scheme for closure of companies
- Disclosure in accounts of all companies
- Special provisions in Insolvency and Bankruptcy (NCLT)
- Tax related benefits and exemptions
- Atmanirbhar Bharat - joint initiative
- Packaged Scheme of Investing
- Concession in electricity bills
- https://maitri.mahaonline.gov.in/
**What benefits are available to a MSME?**

<table>
<thead>
<tr>
<th></th>
<th>Prime Minister Employment Generation Programme</th>
<th></th>
<th>17 Promoting Innovation, Rural Industry &amp; Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Performance and Credit Rating Scheme</td>
<td></td>
<td>18 National Manufacturing Competitiveness Programme</td>
</tr>
<tr>
<td>3</td>
<td>Credit Guarantee Trust Fund for Micro &amp; Small Enterprises</td>
<td></td>
<td>19 Credit Linked Capital Subsidy for Technology Upgradation</td>
</tr>
<tr>
<td>4</td>
<td>Interest Subsidy Eligibility Certificate</td>
<td></td>
<td>20 ISO 9000/ISO 14001 Certification Reimbursement</td>
</tr>
<tr>
<td>5</td>
<td>Science and Technology Scheme</td>
<td></td>
<td>21 Marketing Support/Assistance to MSMEs</td>
</tr>
<tr>
<td>6</td>
<td>Market Promotion &amp; Development Scheme</td>
<td></td>
<td>22 Lean Manufacturing Competitiveness for MSMEs</td>
</tr>
<tr>
<td>7</td>
<td>Revamped Scheme Of Fund for Regeneration Of Traditional Industries</td>
<td></td>
<td>23 Design Clinic for Design Expertise to MSMEs</td>
</tr>
<tr>
<td>8</td>
<td>Coir Vikas Yojana</td>
<td></td>
<td>24 Technology and Quality Upgradation Support to MSMEs</td>
</tr>
<tr>
<td>9</td>
<td>Coir Industry Technology Upgradation Scheme</td>
<td></td>
<td>25 Entrepreneurial and Managerial Development</td>
</tr>
<tr>
<td>10</td>
<td>Science and Technology (S&amp;T) for Coir</td>
<td></td>
<td>26 Enabling Manufacturing Sector to be Competitive</td>
</tr>
<tr>
<td>11</td>
<td>Skill Upgradation &amp; Mahila Coir Yojana</td>
<td></td>
<td>27 Building Awareness on Intellectual Property Rights</td>
</tr>
<tr>
<td>12</td>
<td>Export Market Promotion</td>
<td></td>
<td>28 International Cooperation</td>
</tr>
<tr>
<td>13</td>
<td>Domestic Market Promotion Scheme</td>
<td></td>
<td>29 Marketing Assistance Scheme</td>
</tr>
<tr>
<td>14</td>
<td>Trade and Industry Related Functional Support Services</td>
<td></td>
<td>30 Procurement and Marketing Support Scheme</td>
</tr>
<tr>
<td>15</td>
<td>Welfare Measures (Pradhan Mantri Suraksha Bima Yojana)</td>
<td></td>
<td>31 Assistance to Training Institutions</td>
</tr>
<tr>
<td>16</td>
<td>Financial Support to MSMEs in ZED Certification Scheme</td>
<td></td>
<td>32 Micro &amp; Small Enterprises Cluster Development</td>
</tr>
</tbody>
</table>

All schemes details available on: [www.msme.gov.in](http://www.msme.gov.in)

New single-window website launched recently:

[www.champions.gov.in](http://www.champions.gov.in)
**Certain Key Initiatives already available**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
</table>
| **SAMADHAAN** | - Conciliation and Arbitration  
  - Delayed Payment Monitoring and Recoveries within 90 days |
| **SAMBANDH** | - Portal for procurement from MSME  
  - 20% of CPSE purchases to be through MSME |
| **SAMPARK** | - MSME Job Portal |
| **SIDBI** | - Loan and Equity investment in MSMEs ([www.sidbi.in](http://www.sidbi.in)) – Online application. |
| **CLCS Scheme** | - Credit Linked Capital Subsidy Scheme |
| **Credit Guarantee Trust Fund** | - Collateral Free Loan for up to 1 crore  
  - 1% interest benefit on overdraft facilities of MSME |
| **Intellectual Property & International Marketing** | - 50% subsidy for patent registration  
  - Reimbursement of participation costs in international trade fairs |
**Certain Key Initiatives already available**

**TReDS - Trade receivable financing of MSMEs**

- All CPSEs and companies with more than 500 cr. of turnover to mandatorily register.

**TReDS**

- Without recourse Receivable Discounting
  - Lower rate of interest
  - Unsecured and no facility documentation

- Save on procurement costs
- No borrowing in the books
- Better working capital cycle for extended time

- Achieve PSL limits
- Get corporate security profile for MSME borrower
- Reduce operational costs

**TReDS + GeM coming soon!**
**New Benefits through Atmanirbhar Bharat**

**Emergency Credit Line to MSMEs for INR 3 lac crores**

- Guarantee-free collateral-free additional funding for borrowers
- Upto 20% additional loan based on ‘Outstanding’ ‘fund-based’ loans on 29th February, 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 at 9.25% for banks and 14% of NBFCs
- Scheme can be availed till 31st Oct 2020
- Traders and non-MSMEs also eligible
- Apply through banks, NBFCs, DFS, NCGTC

**Subordinate Debt to NPA\Stresses MSME – INR 20,000 crores**

- Debt facility upto 15% or Rs. 75 lacs. Promoter to infuse as equity.
- Apply through scheduled commercial banks

**Equity infusion from Funds-of-Funds – INR 50,000 crore**

- Apply through approved investor funds

**Global Tenders being disallowed for order up to INR 200 crores**

**MSME receivables from Gov and CPSEs to be released in 45 days**
Some FAQs

Q. Is it necessary to do any regular filings for Udyog Aadhaar?

Q. How is investment value to be calculated in case assets are purchased on multiple tranches?

Q. Are pure trading entities allowed to be registered under Udyog Aadhaar?

Q. Can professionals like Chartered Accountants, Lawyers and Company Secretaries register as MSME?

Q. Is registration a must for availing the benefits available to MSME?

Q. Is there any downside or costs for registration for Udyog Aadhaar?
Thank You

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Rejuvenating and Kick Starting Operation
(Standard Operating Procedure)
Chennai
June 13, 2020

CA Chirag Doshi
CD Financial ReEngineering Advisors LLP
Kick Starting

- The post-COVID industrial world would wake up to a new dawn towards the involvement of MSMEs in re-energizing the industrial sector.

- Viability of capital would become a challenge for MSMEs thus creating bottlenecks for jumpstarting industrial production and employment of labourers.

- Social distancing would also restrict employment of existing workforce in full strength.
External Agencies Reports

- A government-sponsored Fund of Funds (FoF) of Rs 10,000 crore to support VC/PE firms investing in the MSME sector that will support crowd funding from venture capital and private equity firms, which focus on investing in the MSME segment on modified term sheets developed by SIDBI.

- RBI report: MSMEs lack expertise in product development, technology adoption and marketing strategy. To alleviate these problems, it is recommended that Government should build networks of development service providers that can provide customized solutions to MSMEs in the area of technology, product development and marketing techniques.

- Due to their informal nature, MSMEs lack access to formal credit as banks face challenges in credit risk assessment owing to lack of financial information, historical cash flow data, etc. Further, very few MSMEs are able to attract equity support and venture capital financing.
To best leverage on Opportunities, Indian firms should get their standards and procedures on track first and follow a Standard Operating Procedure (SOP) in everything they do.

The SOP’s aim:
- to make access to credit or equity easier for MSMEs
- reduces their cost of funds.
- They outline steps to smoothen cash flows of MSMEs by raising their chances of getting funds, based on trade receivables.

A founder or promoter can usually bootstrap a company only so far. After a point, any flourishing MSME starts seeking an external cash injection to grow their business. Every business must prepare the Standard operating procedure manual before they showcase themselves to the probable investors.
Internal Benefits

- Organizational Benefits –
  - Improvement of quality of management
  - Increase in operational efficiency by harmonizing organizational structures with similar elements and sharing information across traditional organizational boundaries
  - Avoidance of duplication between procedures of systems
  - Streamlining paperwork and communication

- Financial Benefits –
  - Cost savings by the reduction of the frequency of audits
  - Reduction in external certification costs over single certification audits
  - Increase in profit margins

- People Benefits –
  - Increase in employee motivation, awareness and qualifications –
  - Creation of a better company image among employees
External Benefits

- Commercial Benefits –
  - Competitive advantage,
  - Improvement of market place
  - Gain new customers/satisfy existing ones

- Communication Benefits –
  - Improvement of company's image
  - Improvement of relations with stakeholders
  - Evidence of legal compliance

- Other Benefits –
  - Improvement in quality, environmental and health and safety
  - Reduction of hazardous waste generation
  - Reduction of equipment damage and product loss
Barriers

- Lack of financial resources,
- Lack of management and/or staff knowledge, Skills and training,
- Lack of employee involvement/motivation,
- Lack of management and/or staff time
- Attitudes/Perceptions
  - The change appears too revolutionary/resistance to change,
  - Low awareness of the benefits,
  - Complexity and differences among systems,
  - High effort for implementation
Indian MSMEs can no longer embrace digitalisation in a Jugaad way, and thus, for a smooth transition to 4.0, they need to enhance existing standards and procedures across their entire production cycle.

Standard Operating procedure covers the following:
- Identify the key processes
- Approach
- Document the process in a flow chart format
- Identify the key risk and how MSME controls those risk in the entity
An Overall Approach to Development of SOP

**Components of Internal Control Reporting**

**PHASE I**
- Set Foundation
- Assess Current State and Identify Relevant Processes

**PHASE II**
- Document Design and Evaluate Critical Processes and Controls

**PHASE III**
- Design Solutions for Control Gaps

**PHASE IV**
- Implement Solutions for Control Gaps

**Approach**
- Project

**IT Controls**
- IT Organization and Structure
  - IT Entity-Level Control Evaluations
  - IT Process Level Control Evaluations

**IT Control Considerations**

**Internal Control Report**

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Levels of Documentation – LEVEL 1

Top-down flowchart documents beginning and end of a process with no more than six or seven critical elements or steps.

**PROS**
- Useful in documenting complex processes
- Useful for documenting parent process
- Avoids getting lost in the details
- Instills discipline in mapping the process

**CONS**
- Alone, a top-down map is not sufficiently robust to source risks and control points.
Levels of Documentation – LEVEL 2

**LEVEL 2**

Process flow chart displays key steps in greater detail along with critical decision points and outputs; generally use for all critical processes.

**PROS**
- Displays a series of actions and decisions in a manner that is easy to understand
- Allows companies to document things quickly
- Can be used to source risks and identify control points at the source or downstream from the source

**CONS**
- Complexity of the process can lead staff to get lost in the details
- Mapping the process becomes an “art form” unless carefully managed
Documentation – What can go wrong?

- Too much detail
- Not enough detail
- Missing significant transactions
- Duplication / overlap of information between processes
- Missing processes
- Not considering errors (Risk)
- Not identifying the control objectives / assertions/activities
- Difficult to understand and follow narratives and flow charts
- Process and control changes have not been captured
Risk and Control Matrix

Key document used to identify risks, document related assertions and controls, and to assess control design and operating effectiveness.

- Risk
- Control Objective
- Assertion:
  - Completeness, Existence / Occurrence,
  - Valuation / Measurement, Rights & Obligations, Presentation / Disclosure
- Control Description
- Control Type:
  - Manual / Automated / Hybrid;
  - Preventive / Detective
- Control Frequency: Constant, Daily, Weekly, Monthly, Quarterly, Annually
- Control Owner
- Control Reviewed (O)
- Risk Recommendation (O)
- Specific Control Recommendations (O)
- Primary / Secondary
- System / Application*

* To facilitate mapping and evaluation of hybrid / automated controls.

• Once the critical processes are documented, risks are sourced and control points are identified, the effectiveness of controls design must be evaluated

(O) Optional
### Process: Close the books

**Financial Reporting Element:** All financial reporting elements

<table>
<thead>
<tr>
<th>Key Process Number</th>
<th>Process</th>
<th>Risk Number</th>
<th>Risk Description</th>
<th>Control Number</th>
<th>Control Objective</th>
<th>Control Description</th>
<th>Control Owner</th>
<th>Process Narrative</th>
<th>Control Category</th>
<th>Control Type</th>
<th>Primary/Secondary</th>
<th>Control Frequency</th>
<th>Design Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Close the books</td>
<td>1</td>
<td>Financial Statements may contain material or immaterial misstatements or omissions</td>
<td>1</td>
<td></td>
<td>Various review activities are performed throughout the close process to verify financial data. These activities include the Finance department’s (Finance) review of Intercompany account balances for discrepancies, review of currency translation adjustments, and review of prior and current year accumulated deficit balances.</td>
<td>J H Doe</td>
<td>A.2</td>
<td>Detective</td>
<td>Manual</td>
<td>Secondary</td>
<td>Monthly</td>
<td>Adequate</td>
</tr>
<tr>
<td>1.2</td>
<td></td>
<td>2</td>
<td></td>
<td>2</td>
<td></td>
<td>The Accounting Manager reviews all journal entries</td>
<td>J H Doe</td>
<td>A.3</td>
<td>Detective</td>
<td>Manual</td>
<td>Primary</td>
<td>Twice Weekly</td>
<td>Inadequate</td>
</tr>
</tbody>
</table>
ReEngineering the Existing processes

- The issues related to liquidity crisis and working capital management faced by the MSME and new start ups, brings you the new era of financial management by re-engineering the financial process so as to align them with the external economical factors and intra firm factors covering various business processes.

- Reengineer our operational and financial processes so as to release people from transactional work to perform value adding activities whilst maintaining an optimised control environment.
Benefits of Process ReEngineering

Organisation can achieve radical changes in **performance** (as measured by cost, cycle time, service and quality)

It **boosts competitiveness** in the operations network through simpler, leaner and more productive processes

Encourages organisations to abandon conventional approaches to problem solving and to **“think big”** (revolutionary thinking)

Brings in noticeable changes in the pace and quality of their response to **customer needs** (i.e. break-through improvements)

Transforms from a rule driven and job centred organisation structure to a marketing organisation structure that **focuses directly on the customer**

Results in organisational renewal that can help companies respond better to competitive pressures, **increase market share & profitability** and improve cycle times, cost ratios & quality (organisational renewal)

Workers at all levels are encouraged to make suggestions for improvement. It will eventually help the culture in the organisation to evolve from an insular one to one that **accepts change and knows how to deal with it**

Helps create **more challenging and more rewarding jobs** with broader responsibilities for employees (job redesign)
SOP related to COVID 19 – MSME Sector

- **Ground Zero**
  - Deployment of SOPs
  - Online involvement of Staff
  - Restrict / minimal onsite interactions

- **Week 1**
  - SOP verification by internal staff / local law enforcement, reviewed online by external experts

- **Week 2**
  - Start operation
  - Only verified staff join after observing 14 days quarantine

- **Week 3**
  - Try to achieve minimum capacity utilisation

- **Week 4**
  - Increase capacity utilisation by 20% every week
Example of Covid 19 SOP – Immediate Requirement

- **Identify the Risk Area**
  - Entrance
  - Office Meeting room
  - Change room
  - Canteen
  - Shop floor
  - Restrooms
  - Warehouse / Storage areas, Etc.

- **Identify / implement the mitigating measures**

- **Define the process implemented to prevent / report for COVID-19 occurrences based on its severity**
  - Locality is COVID-19 free: Business as usual
  - Locality in vicinity of COVID-19 impacted locality: business as usual with close monitoring
  - Locality impacted and declared as hotspot: severe impact
  - Locality declared as containment zone: highly severe impact
Example of Covid 19 SOP – Immediate Requirement

- Identify the responsible person for implementation of measures
- Reporting to local health authorities/ Municipal corporation or similar
- Mandatory Checklist for business continuity plan post lockdown to be implemented
- Regular Monitoring , Review and update of the protocols.

*Sector Specific SOP’s are recommended
Conclusion

- Need of the hour
  - Funds required to restart the engine debt or equity (Capex and working capital funding)
  - Juugaad won’t be the way of working in future, embrace technology
  - Standard operating procedures are the need of the hour
  - ReEngineering your processes to increase efficiency and reduce cost
Thank You!

CD Financial ReEngineering Advisors LLP (CFRA)

Checks & Balances

FinTaxTick

BridgeGap

LetNetWork

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MSME – TAXATION
13TH JUNE, 2020
CA Mrinal Mehta

ATMANIRBHAR REFORMS – TAX RELIEFS
**ATMANIRBHAR REFORMS - TAX**

- Pending Income Tax Refunds up to Rs. 5 Lakhs issued which benefitted around 14 lakh taxpayers.

- TDS / TCS Rates reduced by 25% from 14/05/2020 till 31/03/2021 – Will infuse liquidity of approx Rs. 50,000 crores.

- Income Tax Return Due Date for FY 2019-2020 Extended from 31/07/2020 & 31/10/2020 to **30/11/2020**

- Internal Circular issued to tax officers for not initiating coercive methods for tax recovery and no fresh scrutiny notice to be issued

- Time barring for tax assessments extended from 30/09/2020 to 31/03/2021 and for those due on 31/03/2021 to 30/09/2021

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**ATMANIRBHAR REFORMS – CORPORATE LAW**

- **SPICe +** Form for registration of new company

- Multiple registrations like Company Incorporation, DIN, PAN, TAN, GST, EPFO, ESIC, PTRC, and Bank Account through single form

- Decriminalization of 16 compoundable offences under Company Law

- Withdrawal of more than 14000 prosecutions under CA, 2013

- EGM allowed through Video Conference with e-voting, Extention for mandatory board meetings by 60 days till 30 Sept 2020
BENEFITS UNDER INCOME TAX FOR MSME

TAX INCENTIVES IN BUDGET 2020

- Reduced Income Tax Rates U/s. 115BAC

<table>
<thead>
<tr>
<th>Total Income (Rs)</th>
<th>A.Y. 2020-21</th>
<th>A.Y. 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 2,50,000</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Rs. 2,50,001 to Rs. 5,00,000</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Rs. 5,00,001 to Rs. 7,50,000</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Rs. 7,50,001 to Rs. 10,00,000</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>Rs. 10,00,001 to Rs. 12,50,000</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Rs. 12,50,001 to Rs. 15,00,000</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Above Rs. 15,00,001</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

- No deduction available under Chapter VI-A (except Sections 80CCD or 80JJAA) or Section 24 under NEW tax rates scheme
- Option for Individuals to choose between old and new tax regime
TAX INCENTIVES IN BUDGET 2020

- Corporate Tax Rates

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Tax rates AY 2021-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross turnover upto Rs.400 Cr. in the previous year</td>
<td>25%</td>
</tr>
<tr>
<td>Company opted for Section 115BA (Manufacturing company not claiming tax deductions)</td>
<td>25%</td>
</tr>
<tr>
<td>Company opted for Section 115BAA (Company not claiming tax deductions)</td>
<td>22%</td>
</tr>
<tr>
<td>Company opted for Section 115BA (Manufacturing company formed between 01/10/2019 to 31/03/2023 and not claiming any tax deductions)</td>
<td>15%</td>
</tr>
</tbody>
</table>

TAX INCENTIVES IN BUDGET 2020

- Tax Audit Limit U/s. 44AB increased from Rs. 1 crore to Rs. 5 crores in case cash receipt or payment does not exceed 5% of total receipt or payment

- Reduced Rate of TDS @ 2% on Technical Services U/s. 194J (old rate 10%) (wef 01/04/2020)
  (TDS @ 10% continue on specified professional services)

- Dividend Distribution Tax @ 15% + SC + Cess payable by companies has been abolished
- TDS @ 10% on Dividend introduced wef 01/04/2020
PRESUMPTIVE TAXATION SCHEME

Small non-corporate entities are eligible for presumptive tax U/s. 44AD / 44ADA

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type</th>
<th>Annual Turnover</th>
<th>Presumptive Taxable Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacturer/Trader</td>
<td>&lt; Rs. 2 Crores</td>
<td>6% on receipts through digital / online payment modes</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturer/Trader</td>
<td>&lt; Rs. 2 Crores</td>
<td>8% on receipts through cash</td>
</tr>
<tr>
<td>3</td>
<td>Professionals</td>
<td>&lt; Rs. 50 Lakhs</td>
<td>50% of gross receipts</td>
</tr>
</tbody>
</table>

PRESUMPTIVE TAXATION SCHEME

- Not required to maintain books of accounts
- No Tax Audit U/s. 44AB
- Only 4th Instalment of Advance Tax in March
- Simplified Income Tax Return

BENEFITS
**PRESumptive Taxation Scheme**

- **No further business / professional expenses will be allowed**
- **If actual profits are higher then the presumptive rates then tax applies on higher profit**
- **Compulsory to continue under the scheme for 5 years**
- **In case of Opt Out then the scheme will not be available for next 5 years**

**Concerns**

**Tax Holiday for Eligible Start-Ups**

1. **100% of the profits of eligible business exempt** from taxes for 3 years out of the 10 years from the year of its incorporation U/s. 80IAC
2. **Deferment of the tax payment on ESOPs to employees by 5 years or till the employee leaves or when he sells those shares, whichever is earliest.**
3. **Exemption to the capital gain on a long term 'residential property', if amount invested in equity shares of the eligible start up (S.54 GB)**
4. **Tax exemption on investments by angel investors above the fair market value in eligible startups.**
START-UPS - ELIGIBILITY

1. The entity should be a recognized Startup (i.e. certificate from the Department for Promotion of Industry and Internal Trade)
2. Only Private limited or a LLP are eligible
3. Business involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property;
4. The total turnover does not exceed Rs. 100 crores (Rs. 25 crores limit upto FY 2019-20) in any of the PY
5. Should have been incorporated after 1st April, 2016
6. Not formed by splitting up or reconstruction of a business already in existence.

GST IMPACT ON MSME
GST REGISTRATION - ELIGIBILITY

Threshold for Registration
- Aggregate Turnover exceeds Rs. 40 Lakhs for entities, exclusively engaged in supply of goods (Rs. 20 lakh for NE and hill states)
- Annual Turnover exceeds Rs. 20 Lakhs for service providers (Rs. 10 lakh for NE and hill states)

Note:
- The threshold limits apply per entity PAN
- Need to obtain separate GST registration for each state where business premises / fixed establishment
- Entities exclusively engaged in supply of Exempt goods or services are not required to register even if they exceed threshold.

GST REGISTRATION - ELIGIBILITY

Compulsory GST registration required even if turnover does not exceed threshold:
- Registered entity under existing indirect tax laws
- Businesses engaged in Interstate supply (Excl. service providers)
- Casual taxable person
- Person required to pay tax under reverse charge
- Electronic Commerce Operator required to collect TCS
- Person supplying goods through electronic commerce operator
- Person who makes taxable supply on behalf of others (agents)
- Input service distributor
- Person providing Online Information and Data Base access or retrieval services
- Non resident Taxable person making taxable supply
- Entities liable to deduct TDS
GST REGISTRATION - PROCESS

- Completely Online Process on GST website
- No requirement of physical visit to government office

Documents Required for GST Registration

- PAN of the Applicant
- Aadhaar Card
- Proof of business registration or Incorporation certificate
- Identity and Address proof of Promoters/Director with Photographs
- Address proof of the place of business, NOC from owner if leased
- Bank Account statement/Cancelled cheque
- Digital Signature
- Letter of Authorization/Board Resolution for Authorized Signatory

GST COMPOSITION SCHEME FOR MSME

Benefits

- Lower Tax Rates ranging from 1% to 6%
- Higher liquidity since lower rates of GST
- Less Compliances – Quarterly payment and return of GST
- Simplified GST Returns
- Beneficial for entities dealing with end consumers
- Not required to do ITC reconciliation

Disadvantages

- Cannot Claim Input tax Credit
- Inter State Trade not allowed
- Cannot supply Exempted Goods or Services
- Cannot issue Tax Invoice or collect tax separately from customer
GST COMPOSITION SCHEME FOR MSME

GST Rates applicable to Composition Dealer

<table>
<thead>
<tr>
<th>Type of business</th>
<th>CGST</th>
<th>SGST</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers and traders (goods)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Restaurants not serving alcohol</td>
<td>2.5%</td>
<td>2.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Other service providers</td>
<td>3.0%</td>
<td>3.0%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Eligibility to Opt for Scheme

- Manufacturers & Traders having an annual turnover less than Rs. 1.5 crore (Rs. 75 Lakhs for NE States)
- Service Providers with turnover less than Rs. 50 Lakhs

Ineligible Entities:

- Manufacturers of ice-cream, pan masala, or tobacco
- Businesses making inter-state supplies
- Businesses registered as a casual taxable person or a non-resident taxable person
- Businesses supplying goods through an e-commerce operator
GST for MSME – Other Benefits

- HSN Codes

<table>
<thead>
<tr>
<th>Turnover</th>
<th>HSN Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 1.5 Crores</td>
<td>Not Required</td>
</tr>
<tr>
<td>Rs. 1.5 Crores – 5 Crores</td>
<td>First 2 digits only</td>
</tr>
<tr>
<td>Above 5 Crores</td>
<td>First 4 digits</td>
</tr>
</tbody>
</table>

- Option to File Quarterly GSTR – 1 (instead of monthly) if Turnover < Rs. 1.5 crores
- GST Annual Return GSTR 9 – Not Mandatory if Turnover < Rs. 2 Crores for FY 2018-19
- GST Audit – GSTR 9C – Not Applicable if Turnover < Rs. 5 Crores for FY 2018-19

Relaxations in Tax Compliances due to COVID-19 Lockdown
### Income Tax Reliefs

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Period</th>
<th>Regular Due Date</th>
<th>Extended Due Date</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Belated / Revised Income Tax Returns</td>
<td>FY 2018-2019 AY 2019-2020</td>
<td>31/03/2020</td>
<td>30/06/2020</td>
<td>Interest @ 9% p.a. applicable</td>
</tr>
<tr>
<td>2</td>
<td>Tax saving Investments Chapter VI A (i.e. 80C, 80D, 80G etc)</td>
<td>FY 2019-2020 AY 2020-2021</td>
<td>31/03/2020</td>
<td>30/06/2020</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Payment of TDS</td>
<td>March 2020</td>
<td>30/04/2020</td>
<td>Not Extended</td>
<td>Rate of Interest reduced from 18% pa to 9% pa</td>
</tr>
<tr>
<td>5</td>
<td>Filing of TDS Return</td>
<td>Q4 of FY 2019-2020</td>
<td>31/05/2020</td>
<td>30/06/2020</td>
<td>No penalty or late filing fees</td>
</tr>
<tr>
<td>6</td>
<td>TDS Rates</td>
<td>14/05/2020 to 31/03/2021</td>
<td>31/05/2020</td>
<td>30/06/2020</td>
<td>TDS Rates Reduced by 25%</td>
</tr>
</tbody>
</table>
### GST Reliefs

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Period</th>
<th>Regular Due Date</th>
<th>Extended Due Date</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GSTR 3B</td>
<td>Feb 2020 to April 2020</td>
<td>20th of next month</td>
<td>30/06/2020</td>
<td>Late Filing Fees Waived if filed before extended date</td>
</tr>
<tr>
<td>2</td>
<td>GSTR 3B</td>
<td>Feb 2020 to April 2020</td>
<td>20th of next month</td>
<td>30/06/2020</td>
<td>No Interest if filed within extended due date</td>
</tr>
<tr>
<td>3</td>
<td>GSTR 3B</td>
<td>Feb 2020 to April 2020</td>
<td>20th of next month</td>
<td>15 days interest free extension</td>
<td>Interest at reduced rate of 9% pa applicable if filed after extended period</td>
</tr>
</tbody>
</table>

### GST Reliefs

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Period</th>
<th>Regular Due Date</th>
<th>Extended Due Date</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>GSTR 1</td>
<td>Feb 2020 to April 2020</td>
<td>11th of next month</td>
<td>30/06/2020</td>
<td>Late Filing Fees Waived if filed before extended date</td>
</tr>
<tr>
<td>5</td>
<td>Opting for Composition Scheme GST CMP-02</td>
<td>2020 – 2021</td>
<td>31/03/2020</td>
<td>30/06/2020</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Composition Return GST CMP-08</td>
<td>Jan – Mar 2020</td>
<td>18/04/2020</td>
<td>07/07/2020</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Composition Return GSTR-4</td>
<td>FY 2019-2020</td>
<td>30/04/2020</td>
<td>15/07/2020</td>
<td></td>
</tr>
</tbody>
</table>
**GST RELIEFS**

- Extention of Due date for Filing **Annual Return** in Form GSTR – 9 and Annual Reconciliation in Form GSTR – 9C for FY 2018-19 till **30th September, 2020**

- The rule 36(4) of the CGST Rules, 2017 allowed a taxpayer to claim a provisional ITC only to the extent of 10% of the eligible credit available in GSTR-2A while filing their GSTR-3B monthly.

- The rule shall now apply cumulatively for February to August 2020 (instead of monthly adjustment) and adjustment can be made in the GSTR-3B return of September 2020.

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**RELIEF – 40TH GST COUNCIL MEETING**

**Dt. 12/06/2020**

- Reduction in late fees for GSTR 3B for July 2017 – Jan 2020 as under
  1. ‘NIL’ if there is no tax liability
  2. Max late fees capped at Rs 500 per return if there is tax liability
  3. Returns should be filed between 01/07/2020 to 30/09/2020

- Reduced rate of interest @ 9% for small taxpayers with T/o < Rs. 5 crores for Feb to Mar 2020 if filed by 30/09/2020 (No Int upto 06/07/2020)

- No Interest on late payment for small taxpayers with T/o < Rs. 5 crores for May to July 2020 if filed by September 2020 (staggered dates to be notified)
EMPLOYEE PROVIDEND FUND RELIEFS

Conditions – PMGKY
- Staff upto 100 employees
- 90% employees earn < Rs. 15,000/-

Yes

Govt. to pay 24% EPF of monthly wages for Mar - Aug 2020

No

Employer and employee contribution reduced from 12% to 10% for 3 months

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