

About MSME AND BENEFITS TO BE REGISTERED AS MSME

A. WHO IS A MSME?

- Any class or classes of enterprises, whether proprietorship, hindu undivided family, association of person, co-operative society, partnership firm, company, or undertaking:

PREVIOUS MSME CLASSIFICATION: Criteria – Investment in Plant & Machinery or Equipment

ENTITIES	MICRO ENTERPRISE	SMALL ENTERPRISE	MEDIUM ENTERPRISE
MANUFACTURING ENTERPRISE	Investment < Rs.25 lakhs	Investment < Rs.5 Crs	Investment < Rs.10 Crs.
SERVICE ENTERPRISE	Investment < Rs.10 lakhs	Investment < Rs.2 Crs	Investment < Rs.5 Crs.

REVISED MSME CLASSIFICATION: (As per the official notification released on 1st June 2020). Criteria – Investment in Plant & Machinery or Equipment + Turnover.

ENTITIES	MICRO ENTERPRISE	SMALL ENTERPRISE	MEDIUM ENTERPRISE
MANUFACTURING AND SERVICE ENTERPRISE	Investment < Rs. 1 Cr and Turnover < Rs. 5 Crs	Investment < Rs. 10 Crs and Turnover < Rs. 50 Crs	Investment < Rs. 50 Crs and Turnover < Rs. 250 Crs

The said amendment shall be coming into force with effect from 01st July 2020.

The new definition has been widened in line with industry suggestions and will help a wider section of entities to avail various benefits announced for the sector.

- While calculating the investment in plant and machinery following should be ensured
 - For the purpose of Investment, original cost is to be considered
 - Cost of pollution control, R&D, industrial safety devices shall be excluded.

B. PURPOSE OF MSMED ACT, 2006

- ☞ To facilitate promotion, development and to enhance competitiveness of micro, small and medium enterprises.
- ☞ To address the liquidity problems of SMEs faced due to longer credit periods and hurdles in getting back finance.
- ☞ In order to achieve the above objective, the RBI may from time to time issue guidelines or instructions in order to
 - Ensure smooth credit flow to MSMEs
 - Minimize sickness among them
 - Ensure enhancement of competitiveness among them
 - Strengthen laws to check delayed payments.

C. ILLUSTRATIVE LIST OF EXISTING AND FURTHER BENEFITS EXTENDED TO REGISTERED MSME:

☞ Collateral Free loans from banks:

- Eligibility is for MSMEs with a turnover up to Rs. 100 crs & outstanding borrowings of up to Rs. 25 crs
- Fresh funding up to 20% of the outstanding borrowings as on 29th February, 2020 can be availed
- Loan shall be for a tenure of 4 years with moratorium of 12 months
- Government shall provide 100% credit guarantee
- Scheme can be availed only till 31st October, 2020

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India 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

☞ In Principal approval of borrowing in 59 Minutes

- Entity has to be MSME and registered under GST Act both
- 'In-Principal' approval for business loans in 59 minutes by atomising various processes.
- Working Capital Loan of up to Rs. 1 cr can be availed
- Collateral requirement is not mandatory

☞ **Very easy to get Licenses, approvals and registrations:**

It has made very easy for enterprises that are having MSME Certificate to obtain Licenses, approvals and registrations on any field for their business from the respective authorities as they can produce the Certificate of MSME Registration while making application.

☞ **Special consideration on international trade fairs:**

Under the International Cooperation Scheme, financial assistance is provided on reimbursement basis to the State/Central Government organizations, industries/enterprises Associations and registered societies/trusts and organizations associated with MSME for deputation of MSME business delegation to other countries for exploring new areas of MSMEs, participation by Indian MSMEs in international exhibitions, trade fairs, buyer seller meet and for holding international conference and seminars which are in the interest of MSME sectors

Source: <https://msme.gov.in/international-cooperation>

☞ **Waiver of Stamp Duty:**

All new industrial units having MSME Registration and expansions will be exempted from payment of Stamp Duty, subject stamp duty law of respective states

☞ **Subsidy on NSIC Performance and Credit ratings:**

Enterprises that have MSME Registration can avail Subsidy on NSIC Performance and Credit ratings as mentioned in the scheme

☞ **Eligible for IPS subsidy**

Enterprises that have MSME Registration are eligible for Industrial Promotion Subsidy (IPS) as mentioned in the scheme

☞ **Counter Guarantee from Government of India through CGSTI**

Enterprises that have MSME Registration are eligible for Counter Guarantee from Government of India through CGSTI.

☞ **Protection against delay in payment**

The Ministry of Micro, Small and Medium Enterprises gives protection to MSME Registered Business against delay in payments from Buyers and right of interest on delayed payment through conciliation and arbitration and settlement of dispute be done in minimum time. If any micro or small enterprise that has MSME registration, supplies any goods or services, then the buyer is required to make payment on or before the date agreed upon between the buyer and the micro or small enterprise. In case there is no payment date on the agreement, then the buyer is required to make payment within fifteen days of acceptance of good or services. Further, in any case, a payment due to a micro or small enterprise cannot exceed forty-five days from the day of acceptance or the day of deemed acceptance. In case of failure by the buyer to make payment on time, the buyer is required to pay compound interest with monthly interest rests to the supplier on that amount from the agreed date of payment or fifteen days of acceptance of goods or service. The penal interest chargeable for delayed payment to a MSME enterprise is three times of the bank rate notified by the Reserve Bank of India

☞ **Reduction in rate of Interest from banks**

The rate of Interest for enterprise that has MSME registration are lower as compare to other enterprises.

☞ **15% CLCSS subsidy**

The Ministry of Micro, Small and Medium Enterprises is operating a scheme namely "Credit Linked CGSTI Subsidy Scheme (CLCSS) for technology upgradation of Micro and Small Enterprises. The scheme was launched in October-2000 and revised from 29.9.2005. The revised scheme aims at facilitating technology upgradation of Micro and Small Enterprises (MSEs) by providing 15% capital subsidy (limited to maximum Rs.15 lakhs) for purchase of Plant & Machinery. Maximum limit of eligible loan for calculation of subsidy under the scheme is Rs.100 lakhs. Presently, more than 1500 well established/improved technologies under 51 sub-sectors have been approved under the Scheme

☞ **Waiver in Security Deposit in Government**

The Ministry of Micro, Small and Medium Enterprises gives following benefits to enterprises that has MSME Registration while making application for Government Tenders:

- Issue of tender sets free of cost
- Exemption from payment of Earnest Money
- Waiver of Security Deposit upto the Monetary Limit for which at the unit is registered.
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☞ **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

☞ **Reimbursement of ISO Certification**

Enterprises that have MSME Registration Certificate can reimburse ISO Certificate Expenses by making application to respective authority along with MSME.

☞ **Preference in procuring Government Tenders**

Enterprises that have MSME Registration have preference in procuring government tenders. Special treatment is given to MSME Registered organization while making application for government tenders. Participation of tenders for procurements upto Rs. 200 Crores is now only restricted for domestic enterprises. Further 25% of annual procurement by PSU for goods and services has to be made from MSME.

☞ **50% subsidy for patent registration**

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

Note: Some of the above benefits listed could be proposal only. One may need to wait for final notification from the respective authorities.

Disclaimer:

The information contained in this write up is to provide a broad understanding of the benefits that a unit in MSME Sector may avail in India. These benefits are subject to other conditions which are fact dependent in each case and may also differ in extent of applicability depending in location, nature of business, size of investments etc. Before making any investment commitments, it is highly recommended that you seek proper professional guidance in the matter. The information should not be used as a substitute for specific consultations.

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