

Key Budget proposals for MSMEs

SI No	Budget proposal	Remarks
1	Provision for Subordinate Debt for MSMEs by banks as quasi-equity, fully guaranteed through CGTMSE	The proposal will enable the Banks to extend subordinate debt to MSMEs under CGTMSE guarantee to address the Working Capital requirements. The Government shall suitably augment the corpus of CGTMSE.
2	Debt restructuring window to MSMEs extended to March 31, 2021.	<p>The one-time restructuring scheme was first announced by the RBI on Jan. 1, 2019, for MSMEs with loans up to `25 crore. It was applicable on loans that are stressed but still standard at the time of releasing the guidelines. Any restructuring under this scheme would not attract any downgrade of the asset classification of the account. Lenders were, however, expected to make 5 % additional provision for restructured accounts. More than 5 lakh MSMEs benefitted under scheme in last one year.</p> <p>The scheme shall be extended to March 31, 2021.</p>
3	Amendment to the Factor Regulation Act 2011, to enable NBFCs to extend invoice financing to MSMEs through TReDS platform.	<p>The permission given to NBFCs to lend against invoices in the TReDS platform will help to improve the MSMEs' liquidity position and their access to funds for working capital requirements.</p> <p>The move will enable NBFCs to penetrate in the working capital segment, nevertheless, the existing challenges of scaling TReDS platform, lack of adequate participation from large corporates and registration of MSMEs needs to be addressed.</p> <p>TReDS has registered base of 388 Buyers, 1341 MSME Vendors and 35 Financiers, as on Dec 31, 2019</p>
4	Launch of NIRVIK (Niryat Rin Vikas Yojana) offering higher insurance cover for exports	To achieve higher export tax disbursement, a new scheme Nirvik is being launched which provide higher insurance cover at reduced premium for small exporters and simplified procedure for claim settlement. Under scheme, insurance cover percentage has also been enhanced to 90% from the present average of 60% for both principal and interest.
5	No audit for MSMEs with turnover upto `5 crore	To reduce the compliance burden, the threshold turnover limit for audit increased to `5 crore from existing limit of `1 crore.
6	Launch of App based invoice financing loans	App-based invoice financing loans product will be launched to alleviate the problem of delayed payments and cash flow mismatches for MSMEs.
7	Full tax exemption for 3 out of 10 years for companies with turnover up to `100 crore (up from `25 crore)	Presently, an eligible Start-up having turnover upto `25 crores is allowed deduction of 100% of its profits for 3 consecutive assessment years out of 7 years, if the total turnover does not exceed `25 crore rupees.

		In order to extend this benefit to larger start-ups, the turnover limit is increased from existing `25 crore to `100 crore. Moreover, considering the fact that in the initial years, a start-up may not have adequate profit to avail this deduction, the period of eligibility for claim of deduction is increased from existing 7 years to 10 years.
8	Setting up of Tech cluster	A digital platform will be set up for seamless application and capture of Intellectual Property Rights (IPR) and an institute of excellence to work on the complexity and innovation in the field of IP. In addition to the digital platform, the announcement of Knowledge Translation Clusters to educate startups and MSMEs on business compliance and the risk of non-compliance.
9	Launch of `1000 crore scheme for technological upgradation, R & D, etc. for mid-sized companies in select sectors to be funded by SIDBI and EXIM	To extend handholding support for R&D, tech and business strategy, a scheme of ` 1000 crore will be anchored in Exim bank and SIDBI. Both institutions will contribute `50 crore each and this `100 crore will be used towards equity and technical assistance. Debt funding of `900 crore from banks will be made available
10	Deferral of tax payment on employee stock ownership plans (ESOPs) for startups	The move shall allow deferral of tax payment on ESOPs for 5 years or till the employee leave the company or sell their shares, whichever is earlier. Startups generally use ESOPs to attract and retain highly talented employees. ESOPs are a significant component for compensation of these employees. Currently, ESOPs are taxable as perquisites at the time of exercise.
11	Simplification of GST filing process	To be introduced from April 2020 with proposed features like SMS based filing for NIL returns, improved input tax credit flow etc. besides overall simplification.