

**MSMEs and RECENT
REFORMS BY FM DATED
13.05.2020**

BRIEF NOTE



**Brief Note on Micro, Small and Medium Enterprises
Development (MSMED) Act, 2006 and Recent Reforms
Announced by FM dated 13th May 2020**

The Government of India has enacted the **MSMED Act, 2006** providing benefits to Micro Small and Medium enterprises (MSMEs). MSME Scheme is broadly applicable on the following:

- a) Enterprises engaged in the manufacture or production of goods; or
- b) Enterprises engaged in providing or rendering of services;

BENEFITS OF MSME REGISTRATION

Enterprise that have MSME registration can avail the following benefits:

- Protection against **delayed payments** to MSMEs from buyers/clients.
- Financial Assistance in form of **rebates/ concessions** on patent and trademark registration.
- Financing of project cost on Incubation (which helps innovators with the implementation of their new design, ideas or products) by the government.
- Many **government tenders** are exclusively opened for MSME Industries.

- Business registered under MSME are given higher preference for government license and certification.
- MSME registered units get **higher preference** as compared to non-registered units in terms of creditability.
- Banks provide loans to MSMEs at **interest rate lower** than the interest on regular loans.
- All registered MSMEs can avail reimbursement of ISO certification expenses incurred for obtaining ISO 9000, ISO 14001 and HACCP certifications.

DOCUMENTS REQUIRED FOR REGISTRATION OF MSMEs

- Aadhar Card & PAN
- Mobile No. Linked to Aadhar for OTP verification
- **Business identity proof in case of Partnership or Companies:**
 - **Partnership Firm:** Partnership deed and registration certificate (if registered);
 - **Company:** Certificate of Incorporation, Memorandum and Articles of Association;

- **Business Address Proof:**
 - **Self-owned premises:** Allotment letter, possession letter, lease deed or property tax receipt
 - **Rented premises:** Rent receipt/ NOC from the landlord;
- Copy of **Sale Bill** related to each end product that will be supplied
- Copy of **Purchase bill** for each raw material that will be purchased
- In case applicant is a Company, copy of the **resolution** passed in general meeting, and a copy of board resolution authorizing a director to sign the MSME application
- Copy of industrial license obtained from Govt. of India (if applicable);
- Bank Details
- Details of Product & Services
- No. of Persons Employed

REFORMS FOR MSMEs ANNOUNCED BY THE HON'BLE FINANCE MINISTER VIDE ANNOUNCEMENTS DATED 13TH MAY 2020

- Revised categorization of manufacturing and service sector based on their **Investment and Turnover** as follows:

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

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

- **Emergency Credit Line** from Banks and NBFCs upto 20% of entire outstanding credit as on 29th February 2020.
- Provision of INR 20,000 crores as **subordinated debt** for stressed MSMEs.
- **Equity funding** of MSMEs of INR 50,000 crores on the basis of growth potential and viability.
- **Global tenders** will be disallowed in Government procurements upto INR 200 crores.

- E-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- Fintech will be adopted to enhance transaction-based lending using the data generated by the e-marketplace.
- All MSME receivables from Govt. and CPSEs to be released in 45 days.

For details, please refer the link below to the website of the Ministry of Micro, Small & Medium Enterprises (MSMEs).

[Click Here](#)

DISCLAIMER:

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