

**Micro, Small and Medium
Enterprises (MSMEs)**

RECENT AMENDMENTS



Micro, Small and Medium Enterprises (MSME)

Ministry of Micro, Small and Medium Enterprises vide **Notification dated 1st June 2020** has changed the criteria for classification of Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED).

The said Notification specifies the maximum limit for investment in Plant & Machinery or Equipments and turnover of Enterprises to be categorized as Micro, Small or Medium Enterprises:

Enterprise Type	Maximum Limit for Investment in Plant & Machinery or Equipments	Maximum limit for Turnover
Micro	INR 1 Crore	INR 5 Crore
Small	INR 10 Crore	INR 50 Crore
Medium	INR 50 Crore	INR 250 Crore

The said notification is effective from 01st July 2020.

Note: The limit for Investment in Plant & Machinery or Equipments and turnover is to be seen at the level of entity/ enterprise and not at the group level.

For computation of investment in Plant and Machinery, Ministry of Small Scale Industries (now Ministry of Micro, Small and Medium Enterprises) vide its Notification dated 05th October 2006 specified the items to be excluded while computing the investment in Plant and Machinery. For details, [Click Here](#)

As per Press Release ID 1628344 dated 01st June 2020 issued by PIB Delhi, in a **Special Meeting of Cabinet Committee on Economic Affairs (CCEA)** convened under Chairmanship of Prime Minister Narendra Modi, it has been decided that the **turnover with respect to exports will not be counted** in the limits of turnover for any category of MSME units whether micro, small or medium.

The said Press release informed that approval have been granted in respect of the following:

- For provisioning of INR 20,000 crore as subordinate debt to provide equity support to the stressed MSMEs;
- Approval for equity infusion of INR 50,000 crore for MSMEs through Fund of Funds (FoF) which will establish a framework to help MSMEs in capacity augmentation and providing an opportunity to get MSMEs listed in stock exchanges.

MSMED Act, 2006 defines “Enterprise” to mean the following:

- **Manufacturing or Production:** An industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of

goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (55 of 1951)[\[For details Click Here\]](#); or

- **Services:** Engaged in providing or rendering of any service or services.

Regarding services covered, please note that no specific definition has been given for services under the MSMED Act, 2006 or schemes.

However, a letter dated 16th November 2007 issued by Joint Secretary and Additional Development Commissioner, Ministry of Micro, Small and Medium Enterprises provided an indicative list of activities which can be considered as Services under MSMED Act, 2006.

For details of the letter, [Click Here](#)

SOME CLARIFICATIONS EXPECTED WITH RESPECT TO NOTIFICATION ISSUED BY MINISTRY OF MSMEs DATED 01ST JUNE 2020

- **Exclusion of Exports from Turnover:** Decision for exclusion of turnover with respect to exports from the limit of turnover forms part of Press Release mentioned above but it is not mentioned in Notification issued by Ministry of MSMEs dated 01st June 2020. A **subsequent notification** covering this aspect maybe issued by the Ministry of MSMEs.

- **Turnover not defined:** “Turnover” is not defined in MSMED Act, 2006 and it is expected that a subsequent notification defining the term “Turnover” or providing computation mechanism of “Turnover” similar to computation of investment in Plant and Machinery provided in Notification referred above will be issued.

SOME 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.
- Provisioning of INR 20,000 crore as subordinate debt to provide equity support to the stressed MSMEs by Government;
- Approval by Government for equity infusion of INR 50,000 crore for MSMEs through FOF which will establish a framework to help MSMEs in capacity augmentation and providing an opportunity to get MSMEs listed in stock exchanges.

- 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.

Note: The above mentioned benefits are available to an enterprise registered as MSME.

For details to Notification of Ministry of Micro, Small and Medium Enterprises dated 01st June 2020: [Click Here](#)

For details of Press Release ID 1628344 dated 01st June 2020: [Click Here](#)

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