

## MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT,2006

### AMENDEMENT BILL AND IT'S MAIN CHARACTERISTICS

#### AN OVERVIEW

“Micro, small and medium Enterprises development “ act 2006 ,was passed and published on 29th ,September 2006 ,known as MSME act ,2006 and implemented all over India.

Introduction of MSME: Micro-Small & Medium Enterprises (MSMEs) contribute largely in the socioeconomic development of our country.

MSMEs come under the Ministry of Micro, Small & Medium

Enterprises and are required to be registered to avail benefits under the Micro, Small and Medium Enterprises Development (MSMED) Act.

On 13/05/2020, Finance Minister issued a new definition of Micro, Small and Medium Enterprises in line with International Standards. The Central Government, after obtaining the recommendations of the Advisory Committee notifies in official gazette on 26th june,2020, certain criteria for classifying the enterprises as micro, small and medium enterprises and specifies the form and procedure for filing the memorandum (hereafter in this notification to be known as —Udyam Registration)), with effect from the 1st day of July,2020.

Earlier the criteria were. only on investments to define MSME. Now, turn over included along with investments. Manufacturing and services merged into one Homogeneous solution. Ministry of MSME has launched a registration process by name UAM which is a unique identification number built on the lines of UIDAI, that identifies the MSME business. UAM number is a 12 digit UIN [UNIQUE IDENTIFICATION NUMBER] provided by the MSME ministry. By having UAM number, businesses can claim various benefits.

MSME registration is highly important, as it enables these

enterprises in availing benefits from various government initiated schemes. MSMEs are classified in two categories, such as manufacturing and service enterprises

1. Classification of enterprises.-An enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely:--

(i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;

(ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and

(iii) a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

2. Becoming a micro, small or medium enterprise.--

(1) Any person who intends to establish a micro, small or medium enterprise may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof.

(2) On registration, an enterprise (referred to as —"Udyam" in the Udyam Registration portal) will be assigned a permanent identity number to be known as —"Udyam Registration Number(URN) ".

(3) An e-certificate, namely, —"Udyam Registration Certificate" shall be issued on completion of the registration process.

3. Composite criteria of investment and turnover for classification.--

(1) A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.

(2) If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.

(3) All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

#### 4. Calculation of investment in plant and machinery or equipment.--

(1) The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961

(2) In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.

(3) The expression —plant and machinery or equipment|| of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).

(4) The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.

(5) The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.

#### 5. Calculation of turnover.--

(1) Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.

(2) Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.

(3) The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

#### 6. Registration process.—

Procedure for registration under MSME

Visit <https://udyogaadhaar.gov.in/>

(1) The form for registration shall be as provided in the Udyam Registration portal.

(2) There will be no fee for filing Udyam Registration.

(3) Aadhaar number shall be required for Udyam Registration.

(4) The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).

(5) In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.

(6) In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.

(7) No enterprise shall file more than one Udyam Registration:

Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.

(8) Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the Act.

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#### 7. Registration of existing enterprises.---

(1) All existing enterprises registered under EM–Part-II or UAM shall register again on the Udyam Registration portal on or after the 1st day of July, 2020.

(2) All enterprises registered till 30th June, 2020, shall be re-classified in accordance with this notification,

(3) The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of March, 2021.

(4) An enterprise registered with any other organisation under the Ministry of Micro, Small and Medium Enterprises shall register itself under Udyam Registration.

#### 8. Updation of information and transition period in classification.--

(1) An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on self declaration basis.

(2) Failure to update the relevant information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status.

(3) Based on the information furnished or gathered from Government's sources including ITR or GST return, the classification of the enterprise will be updated.

(4) In case of graduation (from a lower to a higher category) or reverse-graduation (sliding down to lower category) of an enterprise, a communication will be sent to the enterprise about the change in the status.

(5) In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.

(6) In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

## 9. Facilitation and grievance redressal of enterprises.--

(1) The Champions Control Rooms functioning in various institutions and offices of the Ministry of Micro, Small and Medium Enterprises including the Development Institutes (MSME-DI) shall act as Single Window Systems for facilitating the registration process and further handholding the micro, small and medium enterprises in all possible manner.

(2) The District Industries Centres (DICs) will also act as Single Window facilitation Systems in their Districts.

(3) Any person who is not able to file the Udyam Registration for any reason including for lack of Aadhaar number, may approach any of the above Single Window Systems for Udyam Registration purposes with his Aadhaar enrolment identity slip or copy of Aadhaar enrolment request or bank photo pass book or voter identity card or passport or driving licence and the Single Window Systems will facilitate the process including getting an Aadhaar number and thereafter in the further process of Udyam Registration.

(4) In case of any discrepancy or complaint, the General Manager of the District Industries Centre of the concerned District shall undertake an enquiry for verification of the details of Udyam Registration submitted by the enterprise and thereafter forward the matter with necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after giving an opportunity to present its case and based on the findings, may amend the details or recommend to the Ministry of Micro, Small or Medium Enterprises, Government of India, for cancellation of

the Udyam Registration Certificate.

### Benefits of MSME Registration:

- ❖ **Proof of Legal Existence:** Any MSME having Udyog Aadhar Registration is treated as a registered business entity in India. This is beneficial for Proprietorship Firms which otherwise do not have any other proof of existence in the name of proprietorship firms.
- ❖ **Credit Facilities through Financial Institutions at lower rate of interest:** Due to the MSME registration, the Financial institutions lend money at a lower rate of Interest.
- ❖ **Easy Availability of Finance:** Finance to Micro, Small and Medium Enterprises comes under the Priority Sector Lending to directions issued by the Reserve Bank of India. Thus, Banks have to achieve this target and hence lend loans to these MSME on priority.
- ❖ **Collateral Free Loans:** The Government of India has made collateral-free credit available to all small and micro business sectors. This initiative guarantees funds to micro and small sector enterprises.

Under this scheme, both the old as well as the new enterprises can claim the benefits.

- ❖ **Exemption from Stamp Duty:** This concession is given by the State Government(s) in the Stamp Duty charged by them. Stamp comes under the State List, thus it is the prerogative of the State Govts to provide such benefits, subject to conditions laid by them.

- ❖ **Exemption from Property Tax:** This concession is given by the Local Authorities in the Property Tax charged by them. It is the prerogative of the Local Authorities to provide such benefits, subject to conditions laid by them

- ❖ **Subsidy on Patent Registration & Industrial Promotion:** Business enterprises registered under the MSME Act are given a hereby subsidy of 50 per cent for patent registration. This can be availed by sending an application to the respective ministry. In addition to this, one of the great MSME registration benefits is to get subsidy for industrial promotion suggested by the Government.

- ❖ **Overdraft facility along with Interest Rate Exemption:** Businesses or enterprises registered as MSME/SSI under the MSME Act are eligible to avail a benefit of 1% on the overdraft as part of the Credit Guarantee Trust Fund Scheme. Although this can vary from bank to bank.

- ❖ **Concession on Electricity:** One of the simplest MSME registration benefits, businesses registered under the MSME Act can avail a concession on electricity bills. This concession is available to all the Enterprises that have the MSME Registration Certificate by providing an application to the department of the electricity along with the certificate of registration by MSME.

- ❖ **Exclusive consideration for participating in International trade fair/ Domestic fair/Regional fair:**

The scheme offers funding for participation in international fairs, study tours abroad, trade delegations, publicity, etc.

- ❖ **Reservation of products for exclusive manufacturing:** Reservation of products for exclusive manufacture in the small scale sector as a policy instrument for its promotion owes its origin to the Industries.

Financial Schemes for MSME:

- ❖ **Prime Minister's Employment Generation Program (PMEGP):** This scheme will encourage new entrepreneurs to set up micro-enterprises through credit-linked subsidy support.

## Frequently Asked Questions :

Q. What are the documents needed for registration under MSME?

A: Aadhar Card is needed for the registration under the Udyog Aadhar scheme. In case an applicant is other than the proprietor, the Aadhar card of the partners and the directors will be required.

Q. Can existing and new businesses both apply?

A. Yes, an existing and new business can apply for MSME/Udyog Aadhar registration. Provided the existing unit is functioning and meets the threshold limits for registration.

Q. What is the validity of the certificate?

A. There is no expiry of the Udyog Aadhar Certificate. As long as the entity is ethical and financially healthy there will be no expiry of the certificate.

Q. Can trading companies register under MSME?

A. No. MSME covers only manufacturing and service industries. Trading companies are not covered by the scheme. MSME is to support startups with subsidies and benefits, trading companies are just like middlemen, a link between manufacturer and customer. Hence not covered under the scheme.

Q. Do I need multiple registrations for manufacturing plants in different cities?

A. No. The MSME/Udyog Aadhar certificate is for a single entity irrespective of multiple branches or plants.

However, information about multiple branches or plants must be furnished.

Q. Is there any provision of subsidized loan for MSME or any provision for getting the interest on current loan if registered under MSME after 1st July, 2020?

A. Yes, as interest rate is 9% so because of the lower split interest on current loan is possible.

Q. Loan provided by which bank National Bank or Co-operative Bank?

A. Loans will provided by National Bank.(recently loan from co-operative banks too is under consideration.)

Q. If the registration is not renewed then what is the status of MSME?

A. Registration is must at the MSME portal for renewal.

Q. What is Udyog Aadhar?

A. Udyog Aadhaar is a twelve digit Unique Identification Number provided by the Ministry of Micro, Small and Medium Enterprises, Government of India for small and medium enterprises in India. It is also known as Aadhaar for Business.

Q. 50% Subsidy will provide on testing equipment upto 10 lacs but that is not enough so can the limit changed atleast 1 Cr?

A. Changes are going on so may be the subsidy limit will change.

Q. Explain benefits in electricity charges?

A. Electricity benefits will provided by State Government.

Q. Will GST be applicable?

A. Yes, Business Enterprises/MSME borrower must be Goods and Services Tax (GST) registered in all cases where such registration is mandatory.

Q. Those who have already registered under MSME, needed to re-register after 1st July?

A. Yes. Re-registration is must after 1st July, 2020.

Q. How to register in MSME?

A. Go to the website: [www.udyogaadhaar.gov.in](http://www.udyogaadhaar.gov.in) for registration in MSME.

Q. Do we need to cancel the previous registration or just do the new registration?

A. If you register earlier so kindly re-register yourself.

TO CONCLUDE, MSME registration is beneficial for micro, small and medium enterprises.