



Economic Stimulus for Self Reliant India

Part-I



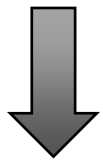
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CHARTERED ACCOUNTANTS

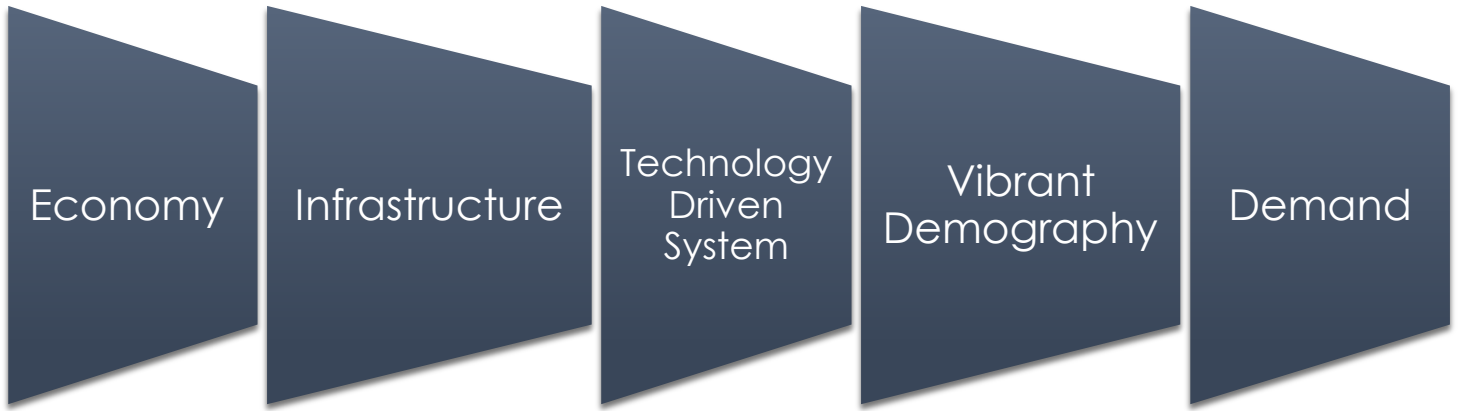


INTRODUCTION TO ECONOMIC STIMULUS PACKAGE

- Call for Self-Reliant India Movement.
- Focus on Land, Labour, Liquidity & Laws.
- Package to cater to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others.
- Bold reforms across sectors will drive the country's push towards self-reliance.
- Time to become vocal for our local products and make them global.



Five pillars of Atmanirbhar Bharat:



Global Fiscal Stimulus as % of GDP

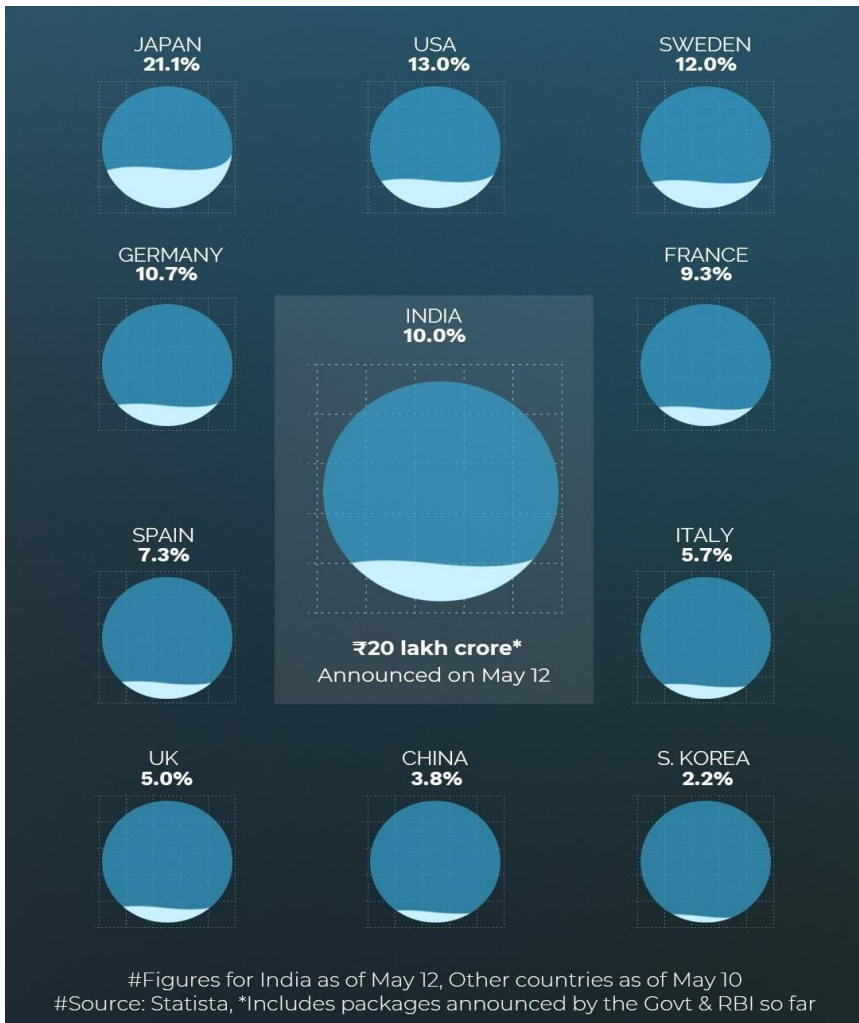


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As announced by Hon. Finance Minister, Govt will come up with details of economic stimulus worth Rs.20 lakhs crore in different tranches, Part-1 of which was announced on May 13, 2020.

Part-1 has the following different measures:

MSME	EPF	NBFC & MFIs	DISCOM	Contractors	Real Estate	Direct Tax
1) Collateral Free Loans	1) EPF Support for Business & Workers	1) Special Liquidity Scheme for NBFCs/HFCs/ MFIs	1) Liquidity Injection	1) Extension of Works by Central Agencies	1) Extension for projects under RERA	1) Reduction in TDS/TCS Rate
2) Subordinate Debt Facility	2) Reduction in EPF Contribution Rate	2) Partial Credit Guarantee Scheme for NBFCs	-	-	-	2) Other Measures
3) Equity Infusion through Fund of Funds	-	-	-	-	-	-
4) Disallowance of Global Tender in Govt Procurement	-	-	-	-	-	-
5) New definition of MSME	-	-	-	-	-	-
6) Other Interventions	-	-	-	-	-	-

MSMEs

1) Collateral Free Loans - Worth Rs.3 lakhs crores

- Credit line can be availed upto 20% of entire outstanding credit as on 29.02.2020.
- Loans will have 4 year tenure with 12 months moratorium on principal repayment.
- 100% credit guarantee cover to Banks and NBFCs on principal and interest.
- No guarantee fee, no fresh collateral.
- Scheme can be availed till 31st Oct 2020.

2) Subordinate Debt Facility

- Stressed MSMEs will be facilitated with Rs. 20,000 cr as subordinate debt.
- Support of Rs. 4,000 Cr. to Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).
- CGTMSE will provide partial Credit Guarantee support to Banks.

MSMEs

3) Equity Infusion Through Fund of Funds

- Will provide equity funding for MSMEs with growth potential and business viability.
- Fund of Funds (FoF) with Corpus of Rs. 10,000 crores will be set up.
- FoF will be operated through a Mother Fund and few daughter funds.
- Fund structure will help leverage Rs. 50,000 crores of funds at daughter funds level.

4) Disallowance of Global Tender in Govt Procurement

- Global tenders will be disallowed in Government procurement tenders upto Rs. 200 crores.

MSMEs

5) New Definition of MSMEs

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.

MSMEs

6) Other Interventions

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

EPF

1) EPF Support for Business & Workers – Worth Rs.2500 Crores

- Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of employer and employee contributions (each 12%) was made into EPF accounts of eligible establishments.
- This support has further been extended by another 3 months to salary months of June, July and August 2020.

2) Reduction in EPF Contribution Rate

- Statutory PF contribution of both employer and employee has been reduced to 10% from 12% each for the next 3 months.
- The above reduction is not applicable to CPSEs and State PSUs.
- This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.

NBFC & MFIs

1) Special Liquidity Scheme for NBFCs/HFCs/ MFIs – Worth Rs.30,000 Crores

- Investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs so that liquidity of these companies will increase.
- These Debt papers will be fully Guaranteed by Government of India.

2) Partial Credit Guarantee Scheme 2.0 – Worth Rs.45,000 Cr.

- Existing PCGS scheme to be extended to cover borrowings.
- First 20% of the Loss will be borne by Government of India.
- AA Paper and even unrated papers will also be eligible for getting the fund.

DISCOMs

1) Liquidity injection worth Rs.90,000 Crores

- Emergency One time Liquidity Infusion will be made up to Rs.90,000 Crores through Power Finance Corporation and Rural Electrification corporation against receivables.
- Loans to be given against state guarantees.
- Central Generating Stations shall give rebates to DISCOMs which shall further pass on to the final Consumers.

Contractors

1) Extension of Works by Central Agencies

- All GOI Agencies like Government Railways, CPWD etc., will give upto 6 months extension without any cost to comply with contract conditions.
- This covers construction and Goods and Services contract, Milestone works, and will also cover concessional period in PPP contracts.
- Government agencies will partially release the Bank Guarantees to ease cash flows.

Real Estate

1) Extension for projects under RERA

- To treat the Covid 19 pandemic as condition of “*Force Majeure*”.
- Extend the time limit for completion of contract by 6 months for projects expiring on or after 25th March 2020.
- Issue of fresh Project Registration certificates automatically with revised time- lines.

Direct Tax

1) Reduction in TDS/TCS Rate

- With effect from 14th May 2020 till 31st March 2021, TDS and TCS Rates will be reduced by 25% of the applicable rates which in turn will release liquidity worth Rs.50,000 Crores.
- The reduction in the rate will rate will **NOT** be applicable to **TDS on Salary**.

2) Other Measures

- All pending refunds to Trust, Non- Corporate Business, Proprietorship, LLP, Partnership Firms, Cooperatives will be given immediately.

Direct Tax

2) Other Measures

S. No.	Act/Law	Particulars/ Return	Actual Due Date	Extended Due Date
1	Income Tax Return for FY 19-20	FY 19-20 i.e. AY 20-21	31st July, 2020	30th November, 2020
		FY 19-20 i.e. AY 20-21	31st October, 2020	30th November, 2020
		Tax Audit	30th September, 2020	31st October, 2020
2	Assessments	Getting barred on	30th September, 2020	31st December, 2020
		Getting barred on	31st March, 2020	30th September, 2021
3	Vivad se Vishwas scheme	Without paying additional amount	31st March, 2020	30th December, 2020

Thank You

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————— CHARTERED ACCOUNTANTS —————