



# Self-Reliant ‘Business’

## आत्मनिर्भर व्यापार

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### Special Publication

A brief on ‘Aatma Nirbhar Bharat Abhiyan’, the economic relief package announced by Government of India (39 minutes reading time)

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# THE ANNOUNCEMENT

After breaking the record for the longest budget speech ever, in January this year, we once again had the Finance Minister Nirmala Sitharaman all over the news. This time with a long list of announcements, made in a series of press conferences which lasted over five days, as if playing a five-day test match of cricket. And, it had to be that long, as Finance Minister had to enumerate the economic relief measures being taken for the Post-COVID Indian economy, which summed to a staggering 20 Lakh Crore in Indian Rupees.

This package is mathematically a revival of 10% GDP of the country. The quantum of this package is so huge that it didn't seem unusual for Prime Minister Narendra Modi himself drawing attention to the press conferences, with a formal 8 pm address to the nation on May 12. Moreover, the Minister of State for Finance and Corporate Affairs, Anurag Thakur himself played the role of a Hindi translator for Nirmala Sitharaman's media briefs in English, only to ensure that the word reached the last person, with absolute clarity.

These announcements majorly include means to inject liquidity in different sectors and ease the process of getting back to normalcy. Most Government measures have been schemed such that the Government Ex-chequer is not burdened, or the burden is spread across multiple years and is not immediate. In this publication, we are briefly analyzing these relief measures from a business point of view.

# THE BIG STORY

## 3 Lakh Crore Emergency Loan against Working Capital for Businesses including MSMEs

Understanding the fact that after being standstill for about two months, when the businesses resume, the biggest concern would be liquidity, the first and the biggest announcement by the Finance Minister was to grant 3 lakh crore emergency funds for providing loans against working capital. Since the businesses have been paying their employees as well as the fixed costs during the lockdown period, and with no sales, the liquidity position of most businesses would have turned upside down, and therefore, this was a very welcoming move by the Government. The key aspects of this announcement are as follows:

What is the nature of financing?	Emergency Loan against Working Capital
What are the key benefits?	No fresh collateral, No guarantee fee
Who will be the financier?	Existing banks and NBFCs who have financed the existing loans
If existing loans are from multiple banks?	The facility can be availed only from one of those lenders
Who will be the guarantor?	Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE)
Who are eligible to be financed?	(1) MSME as per the revised definition (see note below) with (2) Turnover up to INR 100 Crore and (3) Outstanding borrowings up to INR 25 Crore as on 29.02.2020
What will be the quantum of the loan?	Negotiable; Maximum up to 20% of existing working capital facility
What will be the tenure of the loan?	Repayment has to be within 4 years
What will be the rate of interest?	Negotiable; Maximum rate for banks MCLR + 1% and for NBFCs 14%
What is the procedure to apply?	Bank-specific; Contact your bank for the process of application
What are the documents required?	Most banks have requested a duly filled up Application Form with: (1) Details of existing credit facilities availed (2) The amount of financing and the purpose of availing (3) Justification for availing / Working capital expense worksheet (4) Latest available Audited Financial Statements (5) Interim Financial Statements for FY 2020-21
What is the last date to avail scheme?	The scheme is applicable up to 31.10.2020

### Note – The Revised Definition of MSMEs

Category	Criteria	Existing Definition		Revised Definition	
		Manufacturing	Service	Criteria	Mfg. or Services
Micro Enterprises	Investment	< 25 Lakh	< 10 Lakh	Investment Turnover	< 1 Crore < 5 Crore
Small Enterprises	Investment	< 5 Crore	< 2 Crore	Investment Turnover	< 10 Crore < 50 Crore
Medium Enterprises	Investment	< 10 Crore	< 5 Crore	Investment Turnover	< 20 Crore < 100 Crore

# THE ECONOMIC RELIEF MEASURES

The Government has planned the economic relief measures in five tranches which in total amount to INR 20 Lakh Crore. Following is the summary of the package:

Economic Relief Measures	INR Crore	INR Crore
<b>First Tranche</b>		
Emergency working capital facility for businesses	3,00,000	
Subordinate debt for stressed MSMEs	20,000	
Fund of fund for MSMEs	50,000	
EPF support for businesses and workers	2,800	
Reduction in EPF rates	6,750	
Special liquidity scheme for NBFCs, HFCs & MGIS	30,000	
Partial credit guarantee scheme 2.0 for liabilities of NBFCs and MFIs	45,000	
DISCOMS	90,000	
Reduction in TDS/TCS rates	50,000	<b>5,94,550</b>
<b>Second Tranche</b>		
Free food grain supply for migrant workers for 2 months	3,500	
Interest subvention for MUDRA Shishu loans	1,500	
Special credit facility for street vendors	5,000	
Housing CLSS-MIG	70,000	
Additional emergency WCF through NABARD	30,000	
Additional credit through Kisan Credit Card	2,00,000	<b>3,10,000</b>
<b>Third Tranche</b>		
Micro food enterprises (MFEs)	10,000	
PM Matsya Sampada Yojana	20,000	
TOP to TOTAL	500	
Agri infra fund	1,00,000	
Animal husbandry infra development fund	15,000	
Promotion of herbal cultivation	4,000	
Beekeeping initiative	500	<b>1,50,000</b>
<b>Fourth and Fifth Tranche</b>		<b>48,100</b>
<b>Measures taken by Reserve Bank of India</b>		<b>8,01,603</b>
<b>Revenue lost due to tax concessions announced</b>		<b>7,800</b>
<b>Pradhan Mantri Garib Kalyan Package</b>		<b>1,70,000</b>
<b>Grand Total</b>		<b>20,82,053</b>

To understand how a business operates, we analyse the various functions it comprises of. Thus, to understand the impact of the relief measures on the business, we have listed them according to the business functions. We have also suffixed every headline with the sector in focus.



## FINANCE

### [1] Stressed MSMEs | The Government has made provision for 20,000 Crore Subordinate Debt

There are about 2 lakh MSMEs who are either NPAs or Stressed, according to the Government estimates. The Government shall provide loans to such MSMEs which shall be limited to 15% of the existing stake of the promoter in the business, maximum up to 75 Lakh.

#### How does this work?

The Government will infuse 4,000 Crore in 'Credit Guarantee Trust for Micro and Small Enterprises' (CGTMSE) who will operating this scheme. The CGTMSE will provide partial credit guarantee to the banks. The banks will lend money to the promoters of MSMEs against such guarantee. These promoters will infuse the money into their business for its revival.

### [2] Startups and MSMEs | Government will create a Fund of Funds of 50,000 Crore Equity

The Government will create a Fund of Funds for MSME to help them expand their capacities and also encourage them to get listed with Stock Exchanges. The Government will make an equity participation of 15% in such MSMEs with high credit ratings. This model is similar to the one operated by SIDBI which successfully leveraged Government funds by 5-6 times.

## How does this work?

Government will create a Mother Fund of Funds (FoF) and introduce a corpus of 10,000 Crore. This FoF will further have multiple Daughter FoF. The Daughter FoFs will invite external parties like Venture Capitalists and Angel Investors to contribute to the corpus. Thus, the Government's infusion of 10,000 Crore will become a 50,000 Crore corpus, with an estimated leverage of 1:4, if External Parties invest 40,000 Crore. These FoFs will invest in MSMEs being listed on the stock exchanges. 15% of the total equity being raised from the capital markets will be contributed by these FoFs.

### [3] MSMEs and Individuals | 45,000 Crore Partial Credit Guarantee to NBFCs for Liquidity

The Government will provide Partial Credit Guarantee to the low or unrated investments of Non-Banking Financial Companies (NBFC), Housing Finance Companies (HFC) and Micro Finance Institutions (MFI). These companies are a major source of financing for the MSMEs and the individuals. The Government of India will bear the first 20% of loss on such investments. As a result of this move, NBFCs, HFCs and especially MFIs will have more liquidity to provide fresh loans to small borrowers and result in an overall liquidity of 45,000 Crore.

### [4] NBFC, HFC and MFI | 30,000 Crore investment in Debts for Special Liquidity

Government will invest in the debt instruments of NBFCs, HFCs and MFIs through primary market transactions like IPOs or through secondary market transactions over stock markets. This will generate liquidity for these companies as well as the mutual funds, and also boost confidence in the markets. All these investments would be fully guaranteed by the Government of India.

### [5] Electricity Companies | 90,000 Crore Liquidity Injection to rescue DISCOMs

The Electricity Generation Companies (GENCOs) are responsible for generation and transmission of electricity, while the Distribution Companies (DISCOMs) are responsible for distribution to end consumers. Since, the electricity demand and consumption has plummeted and the receivables of the DISCOMs have also frozen, DISCOMs are unable to discharge their liability to the GENCOs. The Government has therefore decided to infuse liquidity through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) who will provide funds to DISCOMs against their receivables.

### [6] Real Estate Sector | Extension of Credit Linked Subsidy Scheme up to March 2021

The Government has extended the Credit Linked Subsidy Scheme (CLSS) for Middle Income Group (MIG) up to March 2021 under the Pradhan Mantri Aawas Yojana (PMAY), to boost the housing sector with 70,000 crore liquidity, and to ensure job creation, demand for steel, cement, transportation and construction materials.

### **Details of the Scheme:**

- [a] The scheme has been extended only for the Middle Income Group i.e. people with annual income INR 6 lakh to 12 lakh.(MIG I) or INR 12 lakh to 18 lakh (MIG II)
- [b] The conditions for eligibility are as follows:
- Property ownership must have one female member
  - The household/applicant must not possess any pucca house in India
  - Applicants who have taken any government assistance under housing schemes previously will not be eligible.
- [c] MIG I group applicants will get 4% interest subvention subsidy while the MIG II group applicants will get 3% interest subvention subsidy. This interest will be calculated on a maximum amount of INR 9 Lakh for MIG I group and INR 12 Lakh for MIG II group. The tenure of the loan can be up to 20 years.

### **[7] Agriculture | 30,000 Crore Emergency Working Capital for Farmers through NABARD**

National Bank for Agriculture and Rural Development (NABARD) usually finances 90,000 crore to Rural Cooperative Banks and Regional Rural Banks. The Government has announced that NABARD shall infuse a further 30,000 crore financing into these banks to ensure that farmers receive the crop loans.

### **[8] Agriculture | 2 Lakh Crore Credit to Farmers through Kisan Credit Card Scheme**

Under the existing Kisan Credit Card Scheme, the banks provide credit facility to the farmers to manage their short term credit requirements at 9-14% interest rate, with longer credit periods and flexible options to repay, facility to withdraw from ATMs and interest on credit balances, if any. The Government has directed banks to issue a further 2 lakh crore credit to the farmers through this scheme.

## **OPERATIONS**

### **[9] Food Processing | 10,000 Crore allocated for formalization of Micro Food Enterprises (MFE) under 'Vocal for Local with Global Outreach' vision**

The Government has announced that it has allocated 10,000 Crore for formalization of the Micro Food Enterprises (MFE) to ensure higher food safety standards, building brands and marketing under 'Vocal for Local' scheme.

#### **How does this work?**

The Micro Food Enterprises (MFE), Self Help Groups (SHG), Producer Companies and Cooperative Societies nearly constitute 98% of the Food Processing Enterprises, which are completely unorganized and informal. These groups produce some of the popular food products like Makhana of Bihar, Mango in Uttar Pradesh, Tomato in Karnataka, Orange in

Maharashtra or Chilli in Andhra Pradesh. The Government will introduce scheme to encourage enterprises to improve food quality and safety standards, with a Credit Linked Subsidy as incentive. The enterprises are expected to invest in Plant and Machinery with bank loans and 10% own contribution. These investments up to INR 25 Lakh will get 35% credit linked subsidy with a cap of INR 10 Lakh. The cost will be borne by Central and State Government in 60:40 ratio for scheme starting from 2020-21 to 2024-25.

#### **[10] MSMEs catering to Government | Global Tenders would not be allowed in Government Procurements of 200 Crore or less**

The Government has announced to allow only Indian companies to participate in tenders relating to Government Procurements of up to 200 Crore. Foreign Companies, supported by large conglomerates often pose an unfair competition to the Indian MSMEs. With this move, all low value Government tenders will only be served by domestic MSMEs.

#### **[11] MSMEs catering to Government | Receivables from Government and CPSEs to be released within 45 days for MSMEs**

Government will make an early settlement of its outstanding dues to MSMEs and release all payments within 45 days to provide liquidity to the MSMEs.

#### **[12] Real Estate Sector | Force Majeure Clause under RERA to be invoked**

Real Estate being a subject matter of State Governments, the Central Government will advise the State Governments to invoke Force Majeure Clause and extend the registration and completion date for all registered projects by 6 months and additional 3 months, if necessary. Compliances under RERA would also be extended concurrently.

##### **How does this work?**

Force majeure is a common clause in contracts which frees both the parties from any liability or obligation when an extraordinary event beyond the control of the parties occurs. The State Government will treat COVID-19 as an extraordinary event and invoke force majeure clause of all real estate projects. Then, the State Government will suo-moto extend the date of all projects expiring on or before 25.03.2020, without any application from individual projects. Further, it shall also issue fresh 'Project Completion Certificates' with revised timelines and ease the statutory compliances under RERA.

#### **[13] Real Estate Sector | All Government Construction Contract extended by 6 months**

The Government has directed all Central Agencies like Railways, Ministry of Road Transport and Highways, Central Public Works Department, etc. to extend all pending Civil Construction Contracts by 6 months. Further, it has also directed the agencies for a partial release of Bank Guarantees to ease the cash flows of such contractors.

#### [14] **Manufacturing Enterprises | Rebate in Electricity Bills towards Fixed Charges**

The Public Sector Electricity Generation Companies (GENCOs) will be providing rebate to the Electricity Distribution Companies (DISCOMs). This rebate shall be provided under the pre-condition that the rebate shall be passed on to the end consumers i.e. industries towards their fixed monthly charges.

## LABOUR

#### [15] **MSMEs and Low Wage Workers | Government to pay both 12% Employer and 12% Employee Contribution for Eligible Establishments**

The Government had earlier announced that the 12% EPF Contribution by Employer and Employee both, would be borne by the Government for the salary of March, April and May. Now, the Government has further extended the same for June, July and August. This would result in more take home salary at the hands of employee and also more liquidity in the hands of employer to the extent of 12% of salaries in both cases.

##### **Point to Note:**

Eligible establishments under the scheme would include registered organizations with less than 100 employees, where 90% employees earn less than INR 15,000 per month.

#### [16] **Employers and Employees | EPF Contribution reduced to 10% for 3 months**

For establishments not covered by the 24% EPF Contribution scheme, the rates of EPF Contribution have been reduced to 10% for the salary of June, July and August. This will not be applicable for State Public Sector Undertakings (PSUs) and Central Public Sector Enterprises (CPSE) who will continue to make 12% employer contributions.

## TAXATION

#### [17] **Small Taxpayers | Immediate release of pending refunds for Non-corporate assessee**

The Government has announced that all pending refunds to any kind of charitable trusts or non-corporate businesses and professions including proprietorship, partnership, LLP, and co-operatives will be released immediately.

#### [18] **Business Taxpayers | TDS and TCS Rates slashed by 25% effective 14.05.2020 until 31.03.2021**

In order to provide more funds at the disposal of the business taxpayers, the rates of Tax Deducted at Source (TDS) for Non-Salary payments and the Tax Collected at Source (TCS) have been reduced by 25% of the existing rates. The new rates are as follows:

## TDS Rates for FY 2020-21

Section	Nature of Payment	Up to 13.05.2020	After 14.05.2020
193	Interest on Securities	10%	7.5%
194	Dividend	10%	7.5%
194A	Interest other than interest on securities	10%	7.5%
194C	Payment to contractors (Individual and HUF / Others)	1% / 2%	0.75% / 1.5%
194D	Insurance commission	5%	3.75%
194DA	Payment in respect of life insurance policy	5%	3.75%
194EE	Deposits under National Savings Scheme	10%	7.5%
194F	Repurchase of units by Mutual Fund or UTI	20%	15%
194G	Commission or prize on sale of lottery tickets	5%	3.75%
194H	Commission or brokerage	5%	3.75%
194-I(a)	Rent for plant and machinery	2%	1.5%
194-I(b)	Rent for immovable property	10%	7.5%
194-IA	Acquisition of immovable property	1%	0.75%
194-IB	Rent by individual or HUF	5%	3.75%
194-IC	Joint development agreements	10%	7.5%
194J	Technical or professional fees (FTS, Royalties, etc. / Others)	2% / 10%	1.5% / 7.5%
194K	Payment of dividend by mutual funds	10%	7.5%
194LA	Compensation on acquisition of immovable property	10%	7.5%
194LBA(1)	Income by business trust	10%	7.5%
194LBB(i)	Income by investment fund	10%	7.5%
194LBC(1)	Income by securitization trust (Individual, HUF / Others)	25% / 30%	18.75% / 22.5%
194M	Commission, brokerage etc. by individual or HUF	5%	3.75%
194O	TDS on E-commerce participants [Effective 01.10.2020]	1%	0.75%

## TCS Rates for FY 2020-21

Section	Nature of Payment	Up to 13.05.2020	After 14.05.2020
206C(1)	Sale of		
	(a) Tendu leaves	5%	3.75%
	(b) Timber obtained under a forest lease	2.5%	1.875%
	(c) Timber obtained by any other mode	2.5%	1.875%
	(d) Any other forest produce	2.5%	1.875%
	(e) Scrap	1%	0.75%
	(f) Minerals, being coal or lignite or iron ore	1%	0.75%
206C(1C)	Grant of license, lease, etc. of		
	(a) Parking lot	2%	1.5%
	(b) Toll plaza	2%	1.5%
	(c) Mining and quarrying	1%	0.75%
206C(1F)	Sale of motor vehicle above 10 Lakh	1%	0.75%
206C(1H)	Sale of goods exceeding 50 Lakh [Effective 01.10.2020]	0.1%	0.75%

## Points to Note:

- [a] There is no change in the norms for TDS on salary payments. The same will be continued to be deducted at full rates, as per the new regime of dual tax slabs, announced in Budget 2020.
- [b] There is no change in the rate of TDS or TCS when due to Non-furnishing of PAN/Aadhar. The same will continue to be deducted at 20% under section 206AA.
- [c] The new rates are applicable from 14.05.2020 and only payments or credits in account made after following days are covered under the new rates.
- [d] There is no reduction in the Income Tax slabs. Therefore, lower deduction of TDS would result in payment of higher Advance Taxes, and Self-Assessment Tax.

## [19] All Taxpayers | Various annual due dates under income tax have been extended

Compliance	Original	Extended
Income Tax Return – Assessee not liable to Tax Audit	31.07.2020	30.11.2020
Income Tax Audit	30.09.2020	31.10.2020
Income Tax Return – Assessee liable to Tax Audit	31.10.2020	30.11.2020
Vivad Se Vishwas Scheme, without penalty	31.03.2020	31.12.2020
Assessments getting barred on 30.09.2020	30.09.2020	31.12.2020
Assessments getting barred on 31.03.2021	31.03.2021	30.09.2021

# COMPLIANCE

## [20] Corporates | New Initiatives under Ease of Doing Business for Corporates

### Key Reforms:

1. Direct listing of securities by public companies in permissible foreign jurisdictions
2. Private companies which list Non-Convertible Debentures will not be regarded listed.
3. Provisions of Producer Companies in Companies Act, 1956 to be included in Companies Act, 2013
4. New Additional / Specialized benches for NCLAT to be created in future
5. Penalties for defaults by Small / One Person / Producer / Startup Companies will be reduced.

## [21] Corporates | Minor technical or procedural defaults to be decriminalized in Companies Act

There are about 40 types of violations ranked as Criminal Offences, leading to imprisonment under Companies Act. The Government intends to limit them to Civil Offences and restrict the Criminal Offences to Fraud or similar situations. On the same lines, minor technical or procedural defaults such as shortcomings in Corporate Social Responsibility (CSR) Reporting, inadequacies in Board Report, defaults in filings, delay in holding Annual General Meetings (AGM) will be decriminalized after this announcement.

# OPPORTUNITIES

## [22] Coal Mining | Liberalization of Coal Mining and Other Measures

### Key Reforms:

1. Entry norms to be liberalized. Over 50 coal blocks to be offered immediately. Any party can bid for a coal block and sell in open market.
2. Revenue sharing mechanism to be introduced instead of the current regime of fixed rupee per ton.
3. Exploration-cum-production regime to be introduced for private sector participation to allow entry of into partially explored blocks, instead of current provision of auctioning fully explored coal blocks.
4. Rebate to be provided for Coal Gasification or Liquefaction to reduce the environmental impact of coal.
5. 50,000 Crore Infrastructure Development for achieving enhanced target of 1 billion ton coal production by 2023-24.

## [23] Mineral Mining | Liberalization of Mineral Mining and Other Measures

### Key Reforms:

1. Exploration-Mining-Production regime to be introduced for private sector participation.
2. 500 mining blocks to be offered in an open auction.
3. Bauxite and Coal mineral blocks to be auctioned jointly to enhance aluminium industry's competitiveness, by reducing electricity costs.
4. Distinction between captive and non-captive mines to be removed.
5. Mineral Index in development for different minerals by Ministry of Mines.

## [24] Defence | Foreign Investment in Defence Sector under automatic route raised to 74%

### Key Reforms:

1. FDI limit under automatic route in Defence sector has been raised from 49% to 74%.
2. Certain weapons to be notified as banned for import for certain years, to promote 'Make in India' in Defence Production.

## [25] Civil Aviation | More World Class Airports through PPP Model

### Key Reforms:

1. 6 airports identified for Operation and Maintenance on Public Private Partnership basis. Further 6 airports to be introduced after the same.
2. Vision to become global hub for Aircraft maintenance, Repair and Overhaul (MRO), tax regimes to incentivize the same.
3. Removal of certain restrictions on usage of Indian Air Space to allow more space to be utilized which in turn would reduce fuel costs and efficient operations.

## [26] Space and Atomic Energy | Boosting Private Sector Participation

### Key Reforms:

1. Level playing field to be provided to private companies in satellites, launches and space based services.
2. Future projects for planetary exploration, outer space travel to be open for private sector.
3. Research reactor in PPP mode for production of medical isotopes to be established

## [27] Public Sector | A New Policy for a Self-Reliant India

### Key Reforms:

1. A list of Strategic Sectors requiring public sector participation will be released.
2. In such sectors, at least one public sector enterprise will operate.
3. In other sectors, existing enterprises will be privatized, over a period of time.
4. Number of enterprises in Strategic Sectors to be retained between 1 to 4, others will be privatized/merged/brought under holding companies.



# MESSAGE FROM THE TEAM

Pandemics, lockdowns and recessions have never been easy in the past or even this time, especially for the businesses. The sales plunge, the workforce flees, the receivables freeze and the enterprises run into losses. History of recessions depict that while several big enterprises collapse to the floor, it's also an opportunity to seize for the small ones.

The Government has announced its economic relief measures with a vision of 'Self-Reliant India'. In these challenging times, opportunities have emerged everywhere. It's only for us to seize them and lead our way into becoming 'Self-Reliant Businesses' to achieve the vision of the nation and in process, also those of our own.

While, we get back to business, it's important to ensure the following things:

- 1. Prioritize Workforce** – Safety of the workforce and new set of safety measures will be key to continuance, in time ahead. It's imperative to re-consider and identify the presence of which employees and support staffs at workplace can be avoided, to avoid crowding at the offices. Compliance with the rules set by the Government, should be a key priority.
- 2. Forecast Working Capital** – The figures may have gone up side down, or may not reflect the real position; it's important to forecast and plan the liquidity.
- 3. Alternative Supply Chains** – Specific areas may lockdowns in future for containment of virus. It's important to have alternatives for supply of materials or important machinery parts.
- 4. Use of Government Support** – Consider the various economic relief measures and opportunities presented by the Government and if the same can be availed.
- 5. Restructuring of Finance** – Due to lockdown the targets may not be achieved and budgets will require a revision. It is important to consider the sources of finance and also restructuring of long term loans, if repayment does not seem feasible or burdening, in current scenario.
- 6. Timely Compliance** – Many compliances have been rescheduled, while many new budgetary introductions have become effective. It's important to ensure timely compliance.

As you navigate through these challenging times, we assure continued support and availability to serve you. We wish you and your teams, health and safety.



If you have any queries, please write to us at [info@greenvissage.com](mailto:info@greenvissage.com)

