

Legal Update

Recent measures announced by Finance Minister to support Indian economy

Key measures announced by Finance Minister to provide relief and credit support to businesses, especially MSMEs to support Indian economy suffering due to COVID-19

A day after Prime Minister's announcement of fiscal stimulus for Indian economy, Finance Minister Ms. Nirmala Sitharaman elaborated on the proposed measures to be taken by the government for providing relief and credit support to businesses, especially Micro, Small and Medium Enterprises (MSMEs). Following are the key measures announced by the Finance Minister on 13 May 2020:

INR 3 lakh crores Emergency Working Capital Facility for Businesses, including MSMEs

To provide relief to the business, additional working capital finance of 20% of the outstanding credit as on 29 February 2020, in the form of a Term Loan at a concessional rate of interest will be provided. This will be available to units with up to INR 25 crores outstanding and turnover of up to INR 100 crores whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100% guaranteed by the Government of India providing a total liquidity of INR 3 lakh crores to more than 45 lakh MSMEs.

INR 20,000 crore Subordinate Debt for Stressed MSMEs

Provision made for INR 20,000 crores subordinate debt for two lakh MSMEs which are NPA or are stressed. Government will support them with INR 4,000 Crores to Credit Guarantee Trust for Micro and Small enterprises (CGTMSE). Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of existing stake in the unit subject to a maximum of INR 75 lakhs.

INR 50,000 crores equity infusion through MSME Fund of Funds

Government will set up a Fund of Funds with a corpus of INR 10,000 crores that will provide equity funding support for MSMEs. The Fund of Funds shall be operated through a Mother and a few Daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilise equity of about INR 50,000 crores.

New definition of MSMEs

Definition of MSMEs will be revised by raising the Investment limit. An additional criteria of turnover also being introduced. The distinction between man-

ufacturing and service sector will also be eliminated.

Other Measures for MSMEs

E-market linkage for MSMEs will be promoted to act as a replacement for trade fairs and exhibitions. MSME receivables from Government and Central Public Sector Enterprises (CPSEs) will be released in 45 days.

No Global tenders for Government tenders of up to INR 200 crores

General Financial Rules (GFR) of the Government will be amended to disallow global tender enquiries in procurement of Goods and Services of value of less than INR 200 crores.

Employees Provident Fund Support for business and organised workers

The scheme introduced as part of Pradhan Mantri Garib Kalyan Package (PMGKP) under which the Government of India contributes 12% of salary each on behalf of both employer and employee to EPF will be extended by another 3 months for salary months of June, July and August 2020.

EPF Contribution to be reduced for Employers and Employees for 3 months

Statutory PF contribution of both employer and employee reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months. This will provide liquidity of about INR 2250 Crores per month.

INR 30,000 crores Special Liquidity Scheme for NBFC/HFC/MFIs

Government will launch INR 30,000 crores Special Liquidity Scheme, liquidity being provided by Reserve Bank of India. Investment will be made in primary and secondary market transactions in investment grade debt paper of Non-Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs) and Micro Finance Institutions (MFIs). This will be 100% guaranteed by the Government of India.

INR 45,000 crores Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs

Existing Partial Credit Guarantee scheme is being

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revamped and now will be extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs). Government of India will provide 20% first loss sovereign guarantee to Public Sector Banks.

INR 90,000 crores Liquidity Injection for DISCOMs

Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMs to the extent of INR 90000 crores in two equal instalments. This amount will be used by DISCOMs to pay their dues to Transmission and Generation companies. Further, CPSE GENCOs will give a rebate to DISCOMs on the condition that the same is passed on to the final consumers as a relief towards their fixed charges.

Relief to Contractors: All central agencies like Railways, Ministry of Road Transport and Highways and CPWD will give extension of up to 6 months for completion of contractual obligations, including in respect of EPC and concession agreements.

Relief to Real Estate Projects: State Governments are being advised to invoke the Force Majeure clause under RERA. The registration and completion date for all registered projects will be extended up to 6 months and may be further ex-

tended by another 3 months based on the State's situation. Various statutory compliances under RERA will also be extended concurrently.

Tax Relief to Business: The pending income tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives shall be issued immediately.

Tax related measures

- **Reduction in Rates of 'Tax Deduction at Source' and 'Tax Collected at Source'** - The TDS rates for all non-salaried payment to residents, and tax collected at source rate will be reduced by 25 percent of the specified rates for the remaining period of FY 20-21. This will provide liquidity to the tune of INR 50,000 Crore.

- The due date of all Income Tax Returns for Assessment Year 2020-21 will be extended to 30 November, 2020. Similarly, tax audit due date will be extended to 31 October 2020.

The date for making payment without additional amount under the "Vivad Se Vishwas" scheme will be extended to 31 December, 2020.

For any further questions or advise on any aspect of law in India, please feel free to reach out to us at dmdadvocates@dumeds.com.

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