

Finance Minister announce measures for relief and credit support related to businesses, especially MSMEs to support Indian Economy's fight against COVID-19 (13-05-2020)

Prime Minister Shri Narendra Modi yesterday announced a Special economic and comprehensive package of **Rs 20 lakh crores - equivalent to 10% of India's GDP**. He gave a clarion call for आत्मनिर्भरभारतअभियान or Self-Reliant India Movement. He said It is time to become **vocal for our local products and make them global**. He also outlined five pillars of Aatmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

Essentially, the goal is to build a self-reliant India that is why the Economic Package is called AatmaNirbhar Bharat Abhiyaan.

Smt. Nirmla Sitharaman today announced measures focused on Getting back to work i.e., enabling employees and employers, businesses, especially Micro Small and Medium Enterprises, to get back to production and workers back to gainful employment.

Following measures were announced today:-

Rs 3 lakh crore Emergency Working Capital Facility for Businesses, including MSMEs

Businesses/MSMEs have been badly hit due to COVID19 need additional funding to meet operational liabilities built up, buy raw material and restart business. 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 Rs. 3.0 lakh crores to more than 45 lakh MSMEs.

Rs 20,000 crore Subordinate Debt for Stressed MSMEs

Stressed MSMEs need equity support. Govt will facilitate provision of Rs. 20,000 cr as subordinate debt. Two lakh Functioning MSMEs which are NPA or are stressed will be eligible. Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.

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

Govt will set up a Fund of Funds with a corpus of Rs 10,000 crore 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 Rs 50,000 crores.

New definition of MSME

Presently MSME are classified based on Investment in Plant & Machinery or Equipment. Definition of MSME will be revised by raising the Investment limit. An additional criteria of turnover also being introduced. The distinction between manufacturing and service sector will also be eliminated. Necessary amendments to law will be brought about.

Presently, when investment in Plant & Machinery or Equipment is less than 25 lacs in manufacturing enterprises (10 lacs in case of service enterprises) then it will be classified as Micro unit. Revised criteria for Micro unit (whether Manufacturing or Service) will be Investment less than 1 Cr and Turnover less than 5 Cr.

Other Measures for MSME

MSMEs currently face problems of marketing and liquidity due to COVID. 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. MSME receivables from Government and CPSEs will be released in 45 days.

No Global tenders for Government tenders of up to Rs 200 crores.

Indian MSMEs and other companies have often faced unfair competition from foreign companies. Therefore, Global tenders will be disallowed in Government procurement tenders upto Rs 200 crores. This will be a step towards Self-Reliant India and support Make in India.

Employees Provident Fund Support for business and organised workers

Businesses continue to face financial stress as they get back to work. Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of 12% of employer and 12% employee contributions was made into EPF accounts of eligible establishments. This was provided earlier for salary months of March, April and May 2020. This support will be extended by another 3 months to salary months of June, July and August 2020. This will provide liquidity relief of Rs 2500 cr to 3.67 lakh establishments and for 72.22 lakh employees

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

Businesses need support to ramp up production over the next quarter. It is necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues, Therefore, statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months. CPSEs and State PSUs will however continue to contribute 12% as employer contribution.

This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension. This will provide relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees. This will provide liquidity of Rs 6750 Crore to employers and employees over 3 months.

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

NBFCs/HFCs/MFIs are finding it difficult to raise money in debt markets. Government will launch a Rs 30,000 crore Special Liquidity Scheme. Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. Securities will be fully guaranteed by Govt. This will provide liquidity support for NBFCs/HFC/MFIs and mutual funds and create confidence in the market.

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

NBFCs, HFCs and MFIs with low credit rating require liquidity to do fresh lending to MSMEs and individuals. Existing Partial Credit Guarantee scheme is being 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 percent first loss sovereign guarantee to Public Sector Banks.

Rs 90,000 crore Liquidity Injection for DISCOMs

Revenues of Power Distribution Companies (DISCOMs) have fallen. Unprecedented cash flow problem accentuated by demand reduction. DISCOM payables to Power Generation and Transmission Companies is currently Rs 94,000 cr. Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMs against receivables to the extent of Rs 90000 crores in two equal instalments. This amount will be used by DISCOMs to pay their dues to Power Generation and Transmission Companies. Loans to be given against State guarantees for exclusive purpose of discharging liabilities of Discoms to Power Generation and Transmission Companies.

Relief to Contractors

Extension of up to 6 months (without costs to contractor) to be provided by all Central Agencies (like Railways, Ministry of Road Transport & Highways, Central Public Works Dept, etc). Covers construction/ works and goods and services contracts. Covers obligations like completion of work, intermediate milestones etc. and extension of Concession period in PPP contracts.

Government agencies to partially release bank guarantees, to the extent contracts are partially completed, to ease cash flows.

Relief to Real Estate Projects

Adverse impact due to COVID and projects stand the risk of defaulting on RERA timelines. State Governments are being advised to invoke the Force Majeure clause under RERA. A Force Majeure (FM) means extraordinary events or circumstance beyond human control.

The registration and completion date for all registered projects will be extended up to 6 months and may be further extended by another 3 months based on the State's situation. Various statutory compliances under RERA will also be extended concurrently.

These measures will de-stress real estate developers and ensure completion of projects so that homebuyers are able to get delivery of their booked houses with new timelines.

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 Rs 50,000 Crore to taxpayers.

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.

On 26th March, 2020 Finance Minister announced Rs 1.70 Lakh Crore relief package under Pradhan Mantri Garib Kalyan Yojana for the poor to help them fight the battle against Corona Virus.

- Insurance cover of Rs 50 Lakh per health worker
- 80 crore poor people given benefit of 5 kg wheat or rice per person for next 3 months
- 1 kg pulses for each household for free every month for the next 3 months
- 20 crore women Jan Dhan account holders get Rs 500 per month for next 3 months
- Gas cylinders, free of cost, provided to 8 crore poor families for the next 3 months
- Increase in MNREGA wage to Rs 202 a day from Rs 182 to benefit 13.62 crore families
- Ex-gratia of Rs 1,000 to 3 crore poor senior citizen, poor widows and poor Divyang
- Front-loaded Rs 2,000 paid to farmers under existing PM-KISAN to benefit 8.7 crore farmers
- Building and Construction Workers Welfare Fund allowed to be used to provide relief to workers
- 24% of monthly wages to be credited into their PF accounts for next three months for wage-earners below Rs 15,000 p.m. in businesses having less than 100 workers
- Five crore workers registered under Employee Provident Fund EPF to get non-refundable advance of 75% of the amount or three months of the wages, whichever is lower, from their accounts
- Limit of collateral free lending to be increased from Rs 10 to Rs 20 lakhs for Women Self Help Groups supporting 6.85 crore households.
- District Mineral Fund (DMF) to be used for supplementing and augmenting facilities of medical testing, screening etc

Measures taken by Reserve Bank of India

- 1% Reduction in CRR which has resulted in liquidity enhancement of ₹1,37,000 crores.
- Increased the banks' limit for borrowing overnight under the marginal standing facility (MSF), allowing the banking system to avail an additional ₹1,37,000 crore of liquidity at the reduced MSF rate.
- On the request of the Government of India, RBI raised the Ways and Means advance limits of States by 60% and enhanced the Overdraft duration limits.
- Targeted Long Term Repo Operations (TLTROs) of ₹1,00,050 crore for fresh deployment in investment grade corporate bonds, commercial paper, and non-convertible debentures.
- TLTRO of Rs.50,000 crore for investing them in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, and MFIs.
- Announced special refinance facilities to NABARD, SIDBI and the NHB for a total amount of ₹50,000 crore at the policy repo rate
- Announced the opening of a special liquidity facility (SLF) of ₹50,000 crore for mutual funds to alleviate intensified liquidity pressures.
- Moratorium of three months on payment of instalments and payment of Interest on Working Capital Facilities in respect of all Term Loans

Other Measures by Govt

- Issued all the pending income-tax refunds up to ₹5 lakh, immediately benefiting around 14 lakh taxpayers. Implemented "Special Refund and Drawback Disposal Drive" for all pending refund and drawback claims. Both the above measures amount to ₹18,000 crore of refund.
- Sanctioned Rs 15,000 crores for Emergency Health Response Package
- Provided Relaxation in Statutory and Compliance matters under various act like GST, Income tax etc.