

Newsflash:

Aatmanirbhar Bharat (Part I & II): Reliefs for Businesses including MSMEs & Labour Related Measures

- Announced on 13 May 2020 & 14 May 2020

14 May 2020



Aatmanirbhar Bharat

Part - I & II - Relief for Businesses including MSMEs & Labour Related Measures – Announced on 13 May 2020 & 14 May 2020

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1.0 INTRODUCTION

1.1 The Hon,ble Finance Minister under the Aatmanirbhar Bharat movement announced on 13 May 2020 various measures for relief and credit support related to businesses, especially MSMEs to support Indian Economy's fight against COVID-19. The packages provide relief to MSMEs, NBFCs, Real estate, DISCOMs, other businesses and relaxation in certain statutory compliance deadlines.

1.2 The key highlights of reliefs provided on 13 May 2020 are as follows:

- Rs. 3 lakh crore Emergency Working Capital Facility for Businesses, including MSMEs
- Rs. 20,000 crore Subordinate Debt for Stressed MSMEs
- Rs. 50,000 crore equity infusion through MSME Fund of Funds
- Announcement of New Definition of MSME and other Measures for MSME
- No Global tenders for Government contracts of upto Rs 200 crore
- Extending the Employees Provident Fund Support for business and organized workers for another 3 months for salary months of June, July and August 2020
- Contribution for the next 3 months (June, July and August 2020) would stand reduced from 12% to 10% for both the employers and employees. This would provide much relief to the employers who will have a direct savings on this account and employees would have more take home salary
- In case of small enterprises employing less than 100 employees, 6 months contribution (employer and employee share) will be paid by the government, for employees drawing very less salary
- Rs. 30,000 crore Special Liquidity Scheme for NBFC / HFC / MFIs
- Rs. 45,000 crore partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/ MFIs
- Rs 90,000 crore Liquidity Injection for DISCOMs
- Relief to Contractors given by extension of up to 6 months for completion of contractual obligations, including in respect of EPC and concession agreements
- Relief to Real Estate Projects the registration and completion date for all registered projects will be extended up to 6 months
- Tax relief to business as pending income tax refunds to charitable trusts and non-corporate businesses and professions to be issued immediately
- Reduction in Rates of 'Tax Deduction at Source' and 'Tax Collected at Source" by 25% for the remaining period of FY 2020-21 starting from 14 May 2020
- Due Dates for various tax related compliances and Vivad Se Vishwas Scheme extended.

1.3 Further, the Finance Minister on 14 May 2020 announced several relief measures mainly targeted towards poor, including migrants and farmers. The key highlights of reliefs provided on 14 May 2020 from business perspective are as follows:

- Labour Codes -Benefits for Workers:
 - Universalization of right of minimum wages and timely payment of wages to all workers including unorganized workers –presently minimum wages applicable to only 30% of workers.
 - Statutory concept of National Floor Wage introduced: will reduce regional disparity in minimum wages.
 - Fixation of minimum wages simplified, leading to less number of rates of minimum wages and better compliance.

- Appointment letter for all workers-this will promote formalization.
- Annual Health Check-up for employees.
- Occupational Safety & Health (OSH) Code also applicable to establishments engaged in work of hazardous nature even with threshold of less than 10 workers.
- Definition of inter-state migrant worker modified to include migrant workers employed directly by the employer, workers directly coming to destination State of their own besides the migrant workers employed through a contractor.
- Portability of welfare benefits for migrant workers.
- Extension of ESIC coverage pan-India to all districts and all establishments employing 10 or more employees as against those in notified districts/areas only.
- Extension of ESIC coverage to employees working in establishments with less than 10 employees on voluntary basis.
- Mandatory ESIC coverage through notification by the Central Government for employees in hazardous industries with less than 10 employees.
- Social Security Scheme for Gig workers and Platform workers.
- Re-skilling fund introduced for retrenched employees.
- All occupations opened for women and permitted to work at night with safeguards.
- Provision for Social Security Fund for unorganised workers.
- Gratuity for Fixed Term Employment -Provision of gratuity on completion of one year service as against 5 years.

2.0 RELIEF MEASURES ANNOUNCED FOR MSMEs

2.1 Change in the definition of MSME

It is proposed that the definition of MSME will be revised by raising the investment limit. Further, an additional criteria of turnover is also being introduced. The distinction between manufacturing and service sector will also be eliminated. The amended definition as announced is as follows:

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.

Note: The above is based on the presentation on “Atmanirbhar Bharat Part-1: Businesses including MSMEs” dated 13 May 2020 and is subject to the finer prints on this to be issued subsequently. It is to be noted that the distinction between manufacturing and service sector has been eliminated.

2.2 Rs. 3 lakh crore collateral free 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 to MSMEs. This will be available to units with upto Rs. 25 crores outstanding loan and turnover of up to Rs 100 crores whose accounts are standard. The units will not have to provide any guarantee or collateral of their own and there shall be cap on interest. The amount will be 100% guaranteed by the Government of India providing a total liquidity of Rs. 3 lakh crores to more than 45 lakh MSMEs. The said facility shall have 4 year tenor with moratorium of 12 months on principal repayment. The scheme can be availed till 31 October 2020.

2.3 Rs. 20,000 crore Subordinate Debt for stressed MSMEs

In order to provide equity support to stressed MSMEs a provision has been made for Rs. 20,000 crores subordinate debt for 200,000 MSMEs which are NPA or are stressed. Functioning MSMEs which are NPA or stressed will be eligible for the scheme. Government will provide a support of Rs. 4,000 Crores to Credit Guarantee Trust for Micro and Small enterprises (“CGTMSE”). CGTMSE shall provide partial Credit Guarantee support to Banks. Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of his existing stake in the unit subject to a maximum of Rs. 75 lakhs. This shall in turn be infused by the promoter as equity in the unit.

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

Government will set up a Fund of Funds with a corpus of Rs. 10,000 crores that will provide equity funding support for MSMEs with growth potential and viability. 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 mobilize equity of about Rs 50,000 crores. This will help MSMEs to expand its size as well as capacity.

2.5 Other measures for MSMEs

- No Global tenders for Government tenders of up to Rs 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 Rs. 200 crores.
- E-market linkage for MSMEs will 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.

3.0 RELIEF MEASURES RELATING TO EMPLOYEE’S PROVIDENT FUND (“EPF”)

3.1 Employees Provident Fund (“EPF”) Support for business and organized workers

Notably under the earlier announced Pradhan Mantri Garib Kalyan Package (“PMGKP”), the Government had proposed to contribute 24% (employers and employees contribution) into the Employees Provident fund for 3 months (March, April and May 2020) in case of employees drawing salary of less than Rs. 15,000 per month and working in organizations having less than 100 employees and where 90% of the employees draw salary of less than Rs. 15,000 per month.

This relief has been further extended for the next 3 months i.e. June, July and August 2020 and the

government would continue to contribute 24% to the EPF accounts of such employees. This will provide liquidity relief of about Rs 2500 crores to 3.67 establishments and for 72.22 lakh employees.

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

The finance ministry under the Atmanirbhar Bharat schema has announced that the statutory PF contribution for the next 3 months (June, July and August 2020) stands reduced from 12% to 10% for both the employers and employees for all establishments covered by EPFO for next 3 months. This scheme shall be applicable to establishments which are not covered under the PMGKP. CPSEs and state PSUs will however continue to contribute 12% as employer contribution.

This will provide liquidity of about Rs.2250 Crores per month to 6.5 lakh establishments covered under EPFO and about 4.3 crores such employees.

4.0 RELIEF MEASURES ANNOUNCED FOR NBFCs

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

Government will launch Rs 30,000 crore Special Liquidity Scheme, liquidity being provided by RBI. Investment will be made in primary and secondary market transactions in investment grade debt paper of NBFCs, HFCs and MFIs. This will be 100 percent guaranteed by the Government of India.

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

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.

5.0 DIRECT TAX RELIEF MEASURES

5.1 Reduction in Rates of Tax Deduction at Source (“TDS”) and Tax Collected at Source (“TCS”)

The TDS rates for all non-salaried payment to residents, and TCS rates will be reduced by 25% of the specified rates for the remaining period of FY 2020-21 i.e. from 14 May 2020 to 31 March 2021. This will provide temporary liquidity to the tune of Rs. 50,000 crores in the form of more funds at the disposal of taxpayers.

Overall, the relief measure by way of reduction in the TDS / TCS rates would immediately address the liquidity issues of businesses and would help them in better fund management and reduce blockage of funds requiring tax refunds. However, it is to be noted that this reduced rate of TDS would not in any way affect the final tax liability. Any deficit or shortfall has to be paid either by way of advance tax or self-assessment tax for the financial year 2020-21.

The Central Board of Direct Taxes (CBDT) has issued a press release on 13 May 2020 regarding new TDS and TCS rates. The TDS on the amount paid or credited during the period from 14 May 2020 to 31 March 2021 shall be deducted at the reduced rates as specified in the table annexed herewith as **Annexure I**.

Further, the TCS on the amount received or debited during the period from 14 May 2020 to 31 March 2021 shall be collected at the reduced rates specified in the table annexed herewith as **Annexure II**.

5.2 Extension of due dates for filing of income tax returns for FY 2019-20

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

5.3 Extension of due dates for filing of income tax returns (Revised / Belated) for FY 2018-19 and other compliances

The Government had passed 'The Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance 2020' on 31 March 2020 providing certain relaxations and relief measures. In the said ordinance, the due dates filing returns and other compliances falling within 20 March 2020 and 29 June 2020 has been extended to 30 June 2020. As such, the due date for filing income tax returns (belated and revised returns for FY 2018-19, TDS returns, Statement of financial transactions etc.) is extended to 30 June 2020.

The Government has now extended the due dates of all the income tax returns for the FY 2019-20 from 31 July 2020 and 31 October 2020 to 30 November 2020. Further, the due date for tax audit has been extended from 30 September 2020 to 31 October 2020.

5.4 Extended Due Date under Direct Tax Vivad se Vishwas Scheme

The due date for filing the declaration and making payment under the Vivad Se Vishwas scheme was extended from 31 March 2020 to 30 June 2020 without additional payment of 10% provided payment is made by 30 June 2020. This has been further extended to 31 December 2020 without additional payment.

5.5 Tax Relief to Business through release of income tax refunds

All 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.

6.0 OTHER RELIEF MEASURES

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

6.2 Rs. 90,000 crore Liquidity Injection for DISCOMs

Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMs to the extent of Rs. 90000 crores in two equal installments. 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.

6.3 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

Note: The relevant measures announced on 14 May 2020 under the Aatmanirbhar Bharat Scheme Part II have been covered in para 1.3 hereinabove.

Annexure I – Rates of TDS for the FY 2020-21

Sr. No.	Nature of Payment	Section	Threshold for Deduction	Rate at which Tax is to be Deducted (1 April 2020 to 13 May 2020)	Rate at which Tax is to be Deducted (14 May 2020 to 31 March 2021)
1	Salary	192	As per slab rates prescribed for senior citizens (includes very senior citizen) and other individuals		
2	Accumulated balance due to an employee participating in RPF	192A	Rs. 50,000 in aggregate	10%	10%
3	Interest on securities including listed debentures	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10%	7.5%
4	Dividend by the Company, including dividends on preference shares	194	Rs.5,000 p.a	10%	7.5%
5	Interest other than interest on securities	194A	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%	7.5%
6	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000	30%	30%
7	Winnings from horse race	194BB	Rs. 10,000	30%	30%
8	Payments to contractors	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)	1.5% (0.75% for individual and HUF)
9	Insurance commission	194D	Rs. 15,000 p.a.	5%	3.75%
10	Payment in respect of life insurance policy	194DA	Rs. 1,00,000 p.a.	5%	3.75%
11	Payment to non- resident sportsmen	194E	No threshold	20%	20%
12	Payment in respect of deposits under National Savings Scheme,1987	194EE	Rs. 2,500 p.a.	10%	7.5%
13	Payments on account of re-purchase of Units by Mutual Funds or UTI	194F	No threshold	20%	15%

Sr. No.	Nature of Payment	Section	Threshold for Deduction	Rate at which Tax is to be Deducted (1 April 2020 to 13 May 2020)	Rate at which Tax is to be Deducted (14 May 2020 to 31 March 2021)
14	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000	5%	3.75%
15	Commission or brokerage	194H	Rs. 15,000 p.a.	5%	3.75%
16	Rent of Land / Building (including factory building) / Furniture or fitting	194I(b)	Rs. 2,40,000 p.a.	10%	7.5%
17	Rent of Plant, Machinery or Equipment	194I(a)	Rs. 2,40,000 p.a.	2%	1.5%
18	Payment/credit of consideration for purchase of any immovable property (other than agricultural land)	194IA	Rs. 50,00,000	1%	0.75%
19	Payment of rent by individual or HUF	194-IB	Rs. 50,000 p.m. or part of the month	5%	3.75%
20	Consideration payable under Joint Development Agreement	194-IC	No threshold	10%	7.5%
21	Fees for professional and technical services / royalty / remuneration to Director other than salary	194J	Rs. 30,000 p.a.	10%	7.5%
				2% (Fees for technical services; other than professional services)	1.5% (Fees for technical services; other than professional services)
22	Payment of dividend by Mutual Funds	194K	Rs. 5,000 p.a.	10%	7.5%
23	Payment of compensation on acquisition of certain immovable property (other than agricultural land)	194LA	Rs. 2,50,000 p.a.	10%	7.5%
24	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	5%
25	Income from units of a business trust by way of interest from a special purpose vehicle	194LBA	No threshold	10% and for non-residents 5% for interest and 10% for dividend	7.5% and for non-residents 5% for interest and 10% for dividend

Sr. No.	Nature of Payment	Section	Threshold for Deduction	Rate at which Tax is to be Deducted (1 April 2020 to 13 May 2020)	Rate at which Tax is to be Deducted (14 May 2020 to 31 March 2021)
26	Income in respect of units of investment fund	194LBB	No threshold	10%	7.5%
27	Income in respect of investment in securitization trust	194LBC	No threshold	30% (25% for individual and HUF)	22.5% (18.75% for individual and HUF)
28	Income by way of Interest payable to non-residents from Indian company or a business trust	194LC	No threshold	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange located in any IFSC)	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange located in any IFSC)
29	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI	194LD	No threshold	5%	5%
30	Payment of commission, brokerage, etc by certain individuals or HUF	194M	Rs.50,00,000 p.a.	5%	3.75%
31(a)	Payment of certain amounts in cash	194N	Rs.1,00,00,000 p.a.	2%	2%
31(b)	Payment of certain amounts in cash (where the assessee has not filed return of income for all of the last 3 years)	194N	Rs.20,00,000 p.a.	2% (withdrawal above Rs. 20 lakhs up to Rs. 1 crores) 5% (withdrawal above Rs. 1 crores)	2% (withdrawal above Rs. 20 lakhs up to Rs. 1 crores) 5% (withdrawal above Rs. 1 crores)
32	Payments by e-commerce operator to e-commerce participants (w.e.f. 1 October 2020)	194-O	Rs. 500,000 in case of individual and HUF	NA	0.75%
33	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAA's, whichever is beneficial		

Annexure II – Rates of TCS for the FY 2020-21

Sr. No.	Nature of transaction	Section	Threshold for Collection	Rate at which Tax is to be Collected (1 April 2020 to 13 May 2020)	Rate at which Tax is to be Collected (14 May 2020 to 31 March 2021)
1	Sale of Tendu Leaves	206C(1)	No threshold	5%	3.75%
2	Sale of Timber Obtained under forest lease	206C(1)	No threshold	2.5%	1.875%
3	Sale of Timber Obtained by any other modes	206C(1)	No threshold	2.5%	1.875%
4	Sale of any other forest produce not being timber / tendu leaves	206C(1)	No threshold	2.5%	1.875%
5	Sale of scrap	206C(1)	No threshold	1%	0.75%
6	Sale of Minerals, being coal or Lignite or iron ore	206C(1)	No threshold	1%	0.75%
7	Grant of license, lease, etc. of Parking lot, Toll Plaza, or Mining and quarrying	206C(1C)	No threshold	2%	1.5%
8	Sale of motor vehicle	206C(1F)	Above Rs. 10 lakhs	1%	0.75%
9	Amount received for remittance outside India under LRS Scheme (w.e.f. 1 October 2020)	206C(1G)	Exceeding Rs. 7 lakhs p.a.	NA	5%
10	Sale of overseas tour package (w.e.f. 1 October 2020)	206C(1G)	No threshold	NA	5%
11	Sale of any other goods (w.e.f. 1 October 2020)	206C(1H)	Exceeding Rs. 50 lakhs p.a.	NA	0.75%

Note: There shall be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at higher rate due to non-furnishing of PAN/ Aadhaar. For example, if the tax is required to be deducted at 20% under section 206AA of the Income tax Act, 1961 due to non-furnishing of PAN/ Aadhaar, it shall be deducted at the rate of 20% and not at the rate of 15%.

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This newsflash provides a brief overview of the relief measure announced by the Government under the Aatmanirbhar Bharat Scheme (Part I & Part II) announced on 13 May 2020 and 14 May 2020. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the said notification and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

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