सत्यमेव जयते

MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES
GOVERNMENT OF INDIA

IMPACT OF
BUDGET 2021-22
ON MSME SECTOR

Increase in Budgetary Outlay :

• Budget Allocation for FY 2021-22 for the MSME more than doubled to Rs.15700 crore vis a vis Rs.7572 crore in 2020-21 (para 114);
• Rs. 10000 crore corpus for provision of guarantee for borrowings - a huge relief to the sector;
• Provisions for earlier announced Atma Nirbhar schemes (viz. Credit Guarantee Scheme for Subordinate Debt to MSMEs and Fund of Funds) to provide much needed financial succour and accessibility.

Enhancing Competitiveness of MSME Products:

• Rationalisation of custom duties on steel screws, plastic builder wares, prawn feed, finished gem stones and rationalising exemption on duty free items to incentivise exports of garments, leather and handicraft items will benefit the MSME sector comprehensively;
• Reduction of customs duty on semis, flats and long products of non-alloy, alloys and stainless steel and reduction of duty on steel and copper scraps will be of great help to the MSME sector;
• Rationalisation of duties on raw materials for textile production will also help the MSME sector to be price competitive in the export market. Reduction of BCD rates on caprolactam, nylon chips and nylon fibre and yarns will help the textile industry and MSMEs and would help in exports.
• Calibration of customs duty rates on chemicals to encourage domestic value addition and to remove inversions.
• Rationalization of Customs Duty in Gold and Silver would provide required impetus to MSMEs working in this sector.

Multiplier Effect of Increased Investments in Specific Sectors:

• PM Atma Nirbhar Swasth Bharat Yojana will provide impetus to the MSMEs as a large proportion of them are involved in health related activities. The recently revised definition of MSME, have already brought many more such units in the health sector in the ambit of MSME ;
• Proposal for setting up of seven textile parks across the country under the Mega Investment Textile Parks scheme will generate further activities among the MSMEs due to strong forward and backward linkages;
• Enhanced Capital Expenditure and Infrastructure spending will have substantial and long term positive spin offs for the MSME sector.

Regulatory Initiatives:

• The budget proposes the creation of Asset Reconstruction Company Limited (ARCs) and Asset Management Company (AMCs) for consolidation and takeover of the existing stressed debt. The ARCs will ensure the monetization of these acquired assets with stressed debt. This will eliminate the poorer assets from the bank books, enhance lending and enable the banks to focus on the actual viability of MSME projects.
• Limit for Tax Audit enhanced from Rs.5 crore to Rs. 10 crore thereby providing relief from compliance burden to a large section of MSMEs.
• Reopening of IT assessment cannot be done up to a time frame of 3 years instead of the previous 6 years. Only in case of serious tax evasion cases (above Rs 50 Lakh) the case can be reopened up to 10 years. This will increase certainty for small industries in case of past assessments and bring down litigation.
• Faceless Dispute Resolution Committee for small taxpayers with a taxable income of up to ₹50 lakh and any disputed income of ₹10 lakh. This will reduce existing litigation and prevent new disputes by settling the issue at the initial stage.

Training:

Skilled and trained manpower is one of the important factors for sustained growth of MSMEs. Realignment of National Apprenticeship Training Scheme (NATS) for providing post education apprenticeship, training of graduates and diploma holders in Engineering will pave the way for manpower requirement of the MSME manufacturing sector.

Other initiatives:

Further, Post Covid-19, Government has taken a number of initiatives under Aatma Nirbhar Bharat Abhiyan to support the MSME Sector in the country especially in Covid-19 pandemic. Some of them are:-

i) Rs 20,000 crore Subordinate Debt for MSMEs.
ii) Rs 3 lakh crores Collateral free Automatic Loans for business, including MSMEs.
iii) Rs. 50,000 crore equity infusion through MSME Fund of Funds.
iv) New revised criteria for classification of MSMEs.
v) New Registration of MSMEs through 'Udyam Registration' for Ease of Dong Business.
vi) No global tenders for procurement up to Rs. 200 crores