

BUDGETARY ANALYSIS FOR 2021-22 ON MSME SECTOR

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Micro, Small and Medium Enterprises (MSME) sector is one of the essential part and parcel for achieving socio-economic growth in India.

In the Union Budget 2021-22 on 1st February 2021 Hon'ble Finance Minister, Mrs Nirmala Sitharaman has announced multiple proposals for **MSMEs** to increase push towards **Atmanirbhar Bharat (self-reliant India)** by promoting domestic enterprises.

The vision of the Union Budget 2021-22 is to extend the goal of Atmanirbhar Bharat by increasing self-reliance and India's ability to become a global manufacturing hub across sectors.



Key Highlights Announcement on MSME Sectors in Union Budget 2021-22

Increase in Budgetary Outlay for MSME Sector

Rs. 15700 crores allocated to MSME- Double time allotment in this budget to MSME than previous year

Rs. 10000 crore corpus for provision of guarantee for borrowings

Rationalisation and Reduction of custom duties on various items as well as raw materials to boost up MSMEs

Provisions for Credit Guarantee Scheme for Subordinate Debt to MSMEs and Fund of Funds to provide financial succour and accessibility to MSMEs

Regulatory Initiatives Announced for MSME Sectors in Union Budget 2021-22

Proposal of creation of Asset Reconstruction Company Limited (ARCs) and Asset Management Company (AMCs) for enabling the banks to focus on the actual viability of MSME projects

Threshold Limit for Tax Audit enhanced from Rs.5 crore to Rs. 10 crore [where 95% of payments are digitised] to provide relief from compliance burden to a large section of MSMEs.

Time limit for re-opening cases has been proposed to reduce to 3 years from 6 years except serious tax evasion cases (above Rs 50 Lakh) to bring down litigation.

Set up of Dispute Resolution Committee for taxpayers with taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh has been proposed to reduce existing litigation and prevent new disputes by settling the issue at the initial stage.

Changes to the Companies Act, 2013 to help MSMEs

1. A revised definition of Small Companies under Companies Act, 2013 has been declared by increasing their thresholds for

- Paid-up capital from "not exceeding Rs 50 Lakh" to "not exceeding Rs. 2 Crore"
- Turnover from "not exceeding Rs. 2 Crore" to "not exceeding Rs. 20 Crore".

2. Incentivizing the incorporation of one-person companies ('OPC') by

- Allow OPC to go without restrictions on turnover and capital.
- OPCs can convert to any other entity.
- Reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days.
- (d) NRIs can incorporate OPCs.

For Infrastructural development of MSMEs F.M has announced several measures

Funding will be increased for the **National Infrastructure Pipeline** to implement the following actions:

- Creation of institutional structures;
- Promotion of asset monetization, and
- Enhancing the share of capital expenditure in central and state budgets.

Last but not least, Micro, small and medium Enterprises (MSMEs) are the growth accelerators of the Indian economy, However, skilled and trained manpower is one of the main pillar for sustained growth in long run for any industry. In this connection F.M has announced realignment of National Apprenticeship Training Scheme (NATS) for providing post education apprenticeship, training of graduates and diploma holders in Engineering which will increase employability boost up MSMEs and Start Ups and elevate Indian Economy to become global.