GUIDE ON MSME
(Micro, Small, and Medium Enterprise)

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Let us understand each of the topic in detail:-

1. Definition of MSME

The government of India has divided MSME into **two Categories:-**

A. Enterprises engaged in the manufacture or production, processing or preservation of goods

B. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

A. Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

- A **micro enterprise** is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- A **small enterprise** is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore;
- A **medium enterprise** is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

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B. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) are specified below:

- A **micro enterprise** is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
- A **small enterprise** is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore;
- A **medium enterprise** is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

In simple words, definition of MSME can be understood as follows:

	Micro	Small	Medium
Manufacturing /Production Sector:	Investment ≤ Rs. 25 lakhs	Investment ≥ Rs. 25 lakhs ≤ Rs. 5 crore	Investment ≥ Rs. 5 lakhs ≤ Rs. 10 crore
Service Sector:	Investment in equipment ≤ Rs. 10 Lakhs	Investment in equipment ≥ 10 Lakhs ≤ Rs. 2 Crore	Investment in equipment ≥ 2 Crore ≤ 5 Crore.

Note: - Website for MSME is https://msme.gov.in/

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2. Overview of MSME with respect to GST

A. Special registration provisions for MSME Sector:

As a trade facilitation measure based on turnover, following small and medium enterprises are not required to obtain GST registration:

(i) Persons involved in Intra-State taxable supply of GOODS, if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 40 Lakh (₹20 Lakh in case of certain States).

(ii) Persons involved in Intra-State taxable supply of SERVICES, if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 20 Lakh (₹ 10 Lakh in case of certain States,).

(iii) Persons involved in Inter-State taxable supply of SERVICES only (not goods), if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 20 Lakh (₹ 10 Lakh in case of certain States).

Explanation:-

1. Intra state supply means supply of goods or services within the same state or Union territory.
2. Interstate supply means supply of goods or services from one state to another state.

B. Exemption from Compulsory Audit by CA for MSME Sector

In GST regime, every registered person whose turnover during a financial year exceeds the prescribed limit is required to get his accounts audited by a chartered accountant or a cost accountant. As a trade facilitation measure, government has notified that registered persons having annual turnover up to ₹ 2 Crore are exempted from getting their accounts audited by a chartered accountant or a cost accountant.

C. GST registered MSMEs can get <u>2% interest subvention from Government for incremental loans of Rs 1 crores under the MSME Credit scheme.</u>

Note: - Website of GST Registration for MSME is https://www.gst.gov.in/

3. Udhyog Aadhar/MSME Registration and Benefits

Enterprise falling under point 1 (Page No: 2-3) can get Udhyog Aadhar/MSME Registration.

Benefits of having registration of MSME under Udhyog Aadhar has been described as follows:

A. Enjoy Easy Bank Mortgages

If you get your business registered under the Udhyog Aadhar, you can easily grab the benefit of enjoying easy bank loans. You can easily grab collateral free mortgage from banks where you need to pledge your property with the bank. All the small and medium businesses can grab this benefit.

B. Reservation Advantages

Government of India also amended the industrial act where all medium and small MSME registered businesses can avail the benefits of government's schemes. So, you can easily boost the overall production at your business premise. The more you increase production at your business premise, the more you create success opportunities.

C. You Can Easily Open Business Account in a Bank

If you are running an MSME registered business under Udhyog Aadhar, you can easily get a business account opened in any banks in India. Yes, it is another great benefit of choosing this option for those businesses who are registered under Udhyog Aadhar.

D. You Can Be a Part of International Business Fairs

Do you want to participate in the global trade fairs? If your answer is yes, then you should not forget going through the MSME registration online/Udhyog Aadhar registration. There is no doubt that you would always like to make your small business a big one. Thus, you need to be a part of international business fairs. If you participate in these global business fairs, you can be able to grab recognition for your business whether medium or small in size.

E. Get Registration and Stamp Duty Charges Waived Off

It is a fact that being a business owner, you would always like to save as much money as possible. Thus, if you want to save your earned money on stamp duty and registration, you should not forget getting your business registered under MSME. Whether you are running a medium or small-scale business, you can always be able to grab discounts on stamp duty and registration.

Clarification: - MSME registration **is NOT converted** to Udyog Aadhar Registration. The Udyog Aadhar Registration is merely an easier way to acquire MSME registration.

Udyog Aadhar Registration is the online method of Acquiring MSME registration. You get the 12 digit Udyog Aadhar Number for your Micro, Small or Medium Scale Industry and you have MSME registration in your hands.

Therefore, not converted, but you can say that Udyog Aadhar Registration is a new way to get your MSME registered.

Note: - Website for Udhyog Aadhar registration is https://www.msmeregistration.org/

4. Overall Analysis of MSME.

This sector possesses enough potential and possibilities to push button accelerated industrial growth in our developing economy and well poised to support national programme like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of an enabling ecosystem where these enterprises are able to access the benefits meant for themselves under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order.

Following benefits can be availed by MSME Sector/Enterprises:-

1. Bank Loans (Collateral Free)

The Government of India has made collateral-free credit available to all small and micro business sectors. This initiative guarantees funds to micro and small sector enterprises. Under this scheme, both the old as well as the new enterprises can claim the benefits. A trust named The Credit Guarantee Trust Fund Scheme was introduced by the GOI(Government Of India), SIDBI(Small Industries Development Bank Of India) and the Ministry of Micro, Small and Medium Enterprise to make sure this scheme is implemented (Credit Guarantee Scheme) for all Micro and Small Enterprise.

2. Subsidy on Patent Registration

A hefty 50% subsidy is given to the Enterprise that has the certificate of registration granted by MSME. This subsidy can be availed for patent registration by giving application to respective ministry.

3. Overdraft Interest Rate Exemption

Businesses or enterprises registered under MSME can avail a benefit of 1% on the Over Draft as mentioned in a scheme that differs from bank to bank.

4. Industrial Promotion Subsidy Eligibility

Enterprises registered under MSME are also eligible for a subsidy for Industrial Promotion as suggested by the Government.

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5. Protection against Payments (Delayed Payments)

At times, the buyers of services or products from the MSME's tend to delay the payment. The Ministry of Micro, Small and Medium Enterprise lend a helping hand to such enterprises by giving them the right to collect interest on the payments that are delayed from the buyer's side. The settlement of such disputes must be done in minimum time through conciliation and arbitration.

In case, if any MSME registered enterprise supplies any goods or services to a buyer then the buyer is required to make the payment on or before the agreed date of payment or within 15 days from the day they had accepted the goods and services from (if there is no mention of the date of payment).

If the buyer delays the payment for more than 45 days after accepting the products or services then the buyer has to pay compound interest along with interests (monthly) on the amount that was agreed to be paid. The interest rate is three times the rate that is notified by the Reserve Bank of India.

6. Fewer Electricity Bills

This concession is available to all the Enterprises that have the MSME Registration Certificate by providing an application to the department of the electricity along with the certificate of registration by MSME.

7. ISO Certification Charges Reimbursement

The registered MSME enterprises can claim the reimbursement of the expenses that were spent for the ISO certification.

Conclusion:

I hope this article helps all of those who might have had any confusion related to the benefits of MSME registration in India and also to those who are willing to jump into an entrepreneur role or are having a Micro, Small or Medium scale business. Business Escalators are the best when it comes to MSME registration online and in providing all type of Startup, GST, MSME, legal and Accounting Support services too. So please feel free to contact if I have made any error or omission or missed any benefits Of MSME registration in India.

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