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Change in the definition of MSME

Date of Amendment in the definition of MSME :

On 13.05.2020, Finance Minister Smt. Nirmala Sitaraman added the additional principle of Turnover along with the Investment, under definition of the MSME.

Purpose:

- To refine the business scenario for Indian enterprises.
- To Change the Criteria to classify MSME from "INVESTMENT IN PLANT AND MACHINARY to ANNUAL TURNOVER"
- To achieve the "ATMANIRBHAR BHARAT MISSION"
- To grow in the size of MSMEs

What is MSME?

MSME stands for Micro, Small, and Medium Enterprises. In accordance with the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006,

The enterprises are classified into two divisions.

1. **Manufacturing enterprises** – engaged in the manufacturing or production of goods in any industry

2. **Service enterprises** – engaged in providing or rendering services

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What are differences of change in the Definition of MSME?

Major difference is now Investment and Annual Turnover both to define the MSME

Definition of MSMEs				
Sr. No.	**Enterprise**	**Pre Amendment** Classification was only based on Investment in plant and machinery *For manufacturing Sector*	**Pre Amendment** Classification was only based on Investment in Equipment *For service sector*	**Post Amendment** Classification is based on Investment in plant and machinery and Annual Turnover *For both Manufacturing and service sector*
1	Micro	Less than or up to 25 lakh	Less than or up to 10 lakh	Investment upto 1cr. and Turnover upto 5 cr.
2	Small	More than 25 lakh but upto 5 cr,	More than 10 lakh but upto 2 cr,	Investment upto 10 cr. and Turnover upto 50 cr.
3	Medium	More than 5 cr. but upto 10 cr.	More than 2 cr. but upto 5 cr.	Investment upto 20 cr. and Turnover upto100 cr.