

# Srinivasan & Shankar, Chartered Accountants

## Highlights of Economic Relief Package (Aatmanirbhar Bharat) – Part -1

Hon'ble Prime Minister Shri Narendra Modi announced a Special economic and comprehensive package of Rs 20 lakh crores - equivalent to 10% of India's GDP. He gave a clarion call for Aatmanirbhar or Self-Reliant India Movement. He also outlined five pillars of Aatmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

As part of the package, the Union Finance Minister Smt. Nirmala Sitharaman yesterday announced the Economic Relief Package – Part -1 to boost the economy to recover from the Impact of COVID-19. The measures mainly focused on giving liquidity in the hands of micro, small and medium enterprises (MSMEs), Relaxation/Extension on certain timelines under Direct Taxes, Financial assistance by way of extending the contribution of EPF by government, measures to Real Estate sectors etc.,

15 measures announced on May 13, 2020 – MSME's, EPF, DISCOMS, Contractors, Real estate and Tax measures. In this note, we have provided a snapshot of the various relief measures for better understanding as below:

### 1. Measures for Micro Small and Medium Enterprise (MSME)

In the first of the relief measures declared by the government, it has focused mainly on the MSME sector and its plight due to this impact of COVID-19. Various benefits for MSMEs as listed out in the below table:

| Area of Benefit  | Relief Extended  | Remarks  |
|--|--|--|
| <b>Emergency Working Capital Facility upto 3 lacs Crores</b> | <p>Providing collateral-free automatic loan as follows:</p> <ul style="list-style-type: none"><li>→ MSME units must be in the category of Standard Asset.</li><li>→ Additional working capital loan upto 20% of the amount outstanding as on Feb 29, 2020.</li><li>→ This is available for MSME units upto outstanding loan upto Rs 25 crs and turnover upto Rs. 100 crs.</li><li>→ The Central Government shall provide full guarantee and no guarantee or collateral to be provided by the MSME.</li><li>→ The loan will be for a period of 4 years with moratorium period of 12 months on repayment. It will also have a concessional interest rate</li></ul> | <p>Formalities to avail this additional facility is to be laid down in coming days to understand more on the scheme.</p> <p>This scheme is expected to benefit 45 lacs units and can be availed upto Oct 31, 2020.</p> |

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| Area of Benefit  | Relief Extended  | Remarks  |
|--|--|--|
| <b>Sub-ordinate Debt for Stressed MSMEs – Rs 20,000 crs</b>            | <ul style="list-style-type: none"><li>→ Government of India will extend a subordinate debt to the extent of Rs 20,000 cr</li><li>→ MSMEs which are NPA or Stressed are eligible to avail this facility</li><li>→ CGTMSE will provide partial Credit Guarantee support to Banks</li><li>→ Promoters of the MSME will be given debt by banks upto 15% of the equity held by the promoters maximum upto Rs 75 lacs, which will then be infused by promoter as equity in the Unit.</li></ul> | This liquidity line expected to benefit 2 lakh MSMEs.  |
| <b>Equity infusion for MSMEs through Fund of Funds – Rs 50,000 crs</b> | <ul style="list-style-type: none"><li>→ Fund of Funds with Corpus of Rs 10,000 crores will be set up</li><li>→ Will provide equity funding for MSMEs with growth potential and viability</li><li>→ Fund structure will help leverage Rs 50,000 crs of funds at daughter funds level</li></ul>  | This infusion is expected to expand the size as well as capacity of MSMEs.                             |
| <b>Discontinuation of Global Tenders – Upto Rs 200 crs</b>             | <ul style="list-style-type: none"><li>→ To remove unfair competition against foreign players and in order to encourage the MSME units in the country, Global tenders will be disallowed in Government procurement tenders upto Rs 200 crs</li><li>→ It will be done through amendments in General Finance Rules</li></ul>  | It would serve the purpose of self-reliant India, will also then be able to boost the 'Make in India'. |

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|  |   |  |   |                         |
|--|---|--|---|-------------------------|
| <b>Revision of Definition of MSMEs</b> (The change in definition of MSMEs is to allow inclusion of more businesses into MSMEs)   | <b>Existing MSME Classification</b>   |  |   |                         |
|  | <b>Criteria: Investment in Plant &amp; Machinery or in equipment</b>  |  |   |                         |
|  | <b>Classification</b>   | <b>Micro</b>                                   | <b>Small</b>                                    | <b>Medium</b>           |
|  | <b>Manufacturing Enterprises</b>  | Investment < Rs. 25 Lakh.                      | Investment < Rs. 5 Cr.                          | Investment < Rs. 10 Cr. |
|  | <b>Service Enterprises</b>  | Investment < Rs. 10 Lakh.                      | Investment < Rs. 2 Cr.                          | Investment < Rs. 5 Cr.  |
| <b>Revised MSME Classification 9</b> (The new MSME definition address MSMEs' fear of losing benefits due to outgrowing the MSME definition. Now, MSMEs need not worry about growing in size, they can continue to receive MSME benefits) |   |  |   |                         |
| <b>Composite Criteria: Investment and Annual Turnover</b>  |   |  |   |                         |
| <b>Classification</b>  | <b>Micro</b>  | <b>Small</b>                                   | <b>Medium</b>                                   |                         |
| <b>Manufacturing &amp; Service Enterprises</b>   | 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 |                         |
| <b>Other Interventions for MSME's</b>  | → E-market Linkage for MSME's to be promoted to act as replacement for trades and exhibitions.<br>MSME receivables from Government and CPSEs to be released in 45 days. |  |   |                         |

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### 2. Measures under Direct Tax

In addition to the measures already declared during early days of COVID-19 in March, 2020, the Government has further extended some of the timelines, reduced the rates of TDS/TCS etc., in order to bring liquidity in the hands of the Assessee. Measures taken as part of this relief package under Direct Taxes are provided below:

| S.NO  | Particulars   | AY 2020-21                           |                          |
|---|---|--------------------------------------|--------------------------|
| <b>Extension of Various Due Dates</b>               |   | <b>Original Due Date</b>             | <b>Extended Due Date</b> |
| <b>1</b>  | <b>Filing of Income-tax Tax Return</b>  |                                      |                          |
| i)  | All Assesses whose Accounts are required to be audited u/s 44AB/44AD (Tax Audit) and their working partner (in case of firm)  | 31.10.2020                           | 30.11.2020               |
| ii)   | All Assesses whose Accounts are required to be audited u/s 92E (Transfer Pricing)   | 30.11.2020                           | 30.11.2020               |
| iii)  | All Other Cases   | 31.07.2020                           | 30.11.2020               |
| <b>2</b>  | <b>Filing of Tax Audit Report</b>   |                                      |                          |
| i)  | All Assesses whose Accounts are required to be audited u/s 44AB/44AD (Tax Audit) other than covered under Transfer pricing  | 30.09.2020                           | 31.10.2020               |
| ii)   | All Other Cases   | 30.11.2020                           | 30.11.2020               |
| <b>Extension of due of Completion of Assessment</b> |   |                                      |                          |
| i)  | Time Barring Assessments  | 30.09.2020                           | 31.12.2020               |
| ii)   | Time Barring Assessments  | 31.03.2021                           | 30.09.2021               |
| <b>Extension of Vivad Se Vishwas Scheme</b>         |   |                                      |                          |
| i)  | Time limit to avail the <b>Vivad Se Vishwas scheme</b> , also the waiver of the 10% additional charge continues.  | 31.03.2020                           | 31.12.2020               |
| <b>Reduction of TDS &amp; TCS Rates</b>             |   |                                      |                          |
| i)  | Rate of TDS have been reduced by 25% from May 14, 2020 till March 31, 2021. There is no change in the TDS rates of Salaries   | Please refer to " <b>Exhibit-1</b> " |                          |
| ii)   | Rate of TCS have been reduced by 25% from May 14, 2020 till March 31, 2021.   | Please refer to " <b>Exhibit-2</b> " |                          |
| <b>Other Measures under Direct Taxes</b>            |   |                                      |                          |
| i)  | Immediate release of refund pending for Assesseees like Charitable Trust, Non-Corporate Business Entities including Co-operative Society, Professionals, Firm & LLP |                                      |                          |

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### 3. Other Important Measures

In addition to the benefits provided to MSMEs and Direct taxes, the government has also as part of this Economic Relief Package Part-1, made the following other declarations:

| Si No | Benefits Under  | Relief Extended   |
|-------|---|---|
| i)    | Contribution of Provident Fund – (Liquidity relief is being given for all EPF establishments) | <p>→ Government sponsored 24% PF contribution to specified establishments announced under Pradhan Mantri Garib Kalyan Package is extended for a period 3 months to June, July &amp; August 2020. This is for those establishments that have upto 100 employees and 90 percent of whom earn under Rs. 15,000 monthly wage.</p> <p>→ Statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% each for all establishments covered under EPFO for next 3 months. However, CPSEs and State PSUs will continue to contribute 12% as employer contribution. This is applicable for those establishments who are not covered under the above scenario.</p>  |
| ii)   | Real Estate   | <p>→ Due to the lockdown in all over the country, real estate projects are vulnerable to being extended and possibility of subject to violation of RERA guidelines. Therefore, certain relaxation is proposed as follows:</p> <ul style="list-style-type: none"><li>○ Covid-19 can be treated as an act of God and ‘Force Majeure’ can be invoked under RERA.</li><li>○ Therefore, the registration and completion date can be suo-motu extended by 6 months, for all registered projects expiring on or after 25<sup>th</sup> March 2020.</li><li>○ Regulatory authorities may extend this for another period of upto 3 months, if needed.</li><li>○ Extension of timelines under RERA concurrently for various statutory compliances.</li></ul> |
| iii)  | Liquidity Power Distribution Companies (DISCOMS) to   | <p>→ PFC/ REC to infuse liquidity of Rs. 90,000 crores to DISCOMS against receivables.</p> <p>→ Loans to be given against state guarantees, for exclusive purpose of discharging liabilities of DISCOMS to GENCOS</p> <p>→ Central Public Sector Generation Companies shall give rebate to DISCOMS which shall be passed on to the final consumers (industries)</p>   |
| iv)   | Relief Contractors to   | <p>→ All Govt. Agencies to provide extension of upto 6 months to contractors without any additional cost.</p> <p>→ Also, Govt. Agencies to partially release bank guarantees, to the extent contracts are completed.</p>  |

Thanks,

Team SandS

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### Exhibit-1

#### TDS Rate Chart for the financial year 2020-21

| Section | Particulars   | TDS rates in AY 2020-21 | TDS rates in AY 2021-22         |                                   |
|---------|---|-------------------------|---------------------------------|-----------------------------------|
|         |   |                         | Original Rate upto May 13, 2020 | From May 14, 2020 to Mar 31, 2021 |
| 192     | <b>Payment of salary</b>  | Slab rate               | Slab rate                       | Slab Rate                         |
| 193     | <b>Interest on securities</b>   | 10%                     | 10%                             | 7.50%                             |
| 194     | <b>Payment of Dividend (monetary Limited - Rs 5,000).</b><br>Payment of dividend by Indian Companies or Mutual Funds were exempted now taxable in the hands of the shareholder. | 10%                     | 10%                             | 7.50%                             |
| 194A    | <b>Income by way of interest other than interest on securities (Monetary Limit - Rs. 40000)</b>   | 10%                     | 10%                             | 7.50%                             |
| 194C    | <b>Payment to contractor/subcontractor (Monetary Limit – Rs 30,000 per contract or Rs 1,00,000 for aggregate amount during the year)</b>  |                         |                                 |                                   |
|         | a) HUF/Individuals  | 1%                      | 1%                              | 0.75%                             |
|         | b) Others   | 2%                      | 2%                              | 1.50%                             |
| 194D    | <b>Insurance Commission</b>   | 5%                      | 5%                              | 3.75%                             |
| 194DA   | <b>Payment in respect of life insurance policy w.e.f. 1/9/2019, the tax shall be deducted on the amount of income comprised in insurance pay-out</b>                            | 5%                      | 5%                              | 3.75%                             |
| 194H    | <b>Commission or Brokerage ( Monetary Limit - Rs. 15000)</b>  | 5%                      | 5%                              | 3.75%                             |
| 194K    | <b>Payment of any income in respect of units of a mutual fund from a specified company</b>  | N.A                     | 10% *                           | 7.50%                             |
| 194-I   | <b>Rent ( Monetary Limit- Rs. 240000 )</b>  |                         |                                 |                                   |
|         | a) Plant and Machinery  | 2%                      | 2%                              | 1.50%                             |
|         | b) Land and Buliding or Furniture or Fitting  | 10%                     | 10%                             | 7.50%                             |

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|                      |   |     |      |                  |
|----------------------|---|-----|------|------------------|
| 194-IA               | <b>Payment made on account of transfer of immovable property other than agriculture land. ( Monetary Limit- Rs. 50,00,000)</b>  | 1%  | 1%   | 0.75%            |
| 194-IB               | <b>Rent payable by individual not covered u/s. 194I for land, building, furniture and fittings ( Monetary Limit- Rs 50000 p.m)</b>  | 5%  | 5%   | 3.75%            |
| 194J                 | <b>Payment of fees for technical services</b>   |     |      |                  |
|                      | a) Fees for technical services  | 10% | 2% * | 1.50%            |
|                      | b) Fee in all other cases   | 10% | 10%  | 7.50%            |
| 194-O                | <b>Applicable for payments by E-Commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform, to the E-Commerce Participants</b>  | N.A | 1%*  | 0.75%            |
|                      | In case of E-Commerce Participants are Individuals/HUF and gross sales/service through such E-Commerce Operator during the previous year does not exceed Rs 5 lacs, then it is not subject to tax deduction on production of PAN to E-Commerce Operator |     |      |                  |
| 195                  | <b>Other Payments to Non-Resident / Foreign Company</b>   |     |      | <b>No Change</b> |
|                      | (a) Income from investment made by a Non-Resident Indian Citizen  | 20% | 20%  |                  |
|                      | (b) LTCG referred to in Section 115E  | 10% | 10%  |                  |
|                      | (c) LTCG referred to in Section 112A  | 10% | 10%  |                  |
|                      | (d) STCG under Section 111A   | 15% | 15%  |                  |
|                      | (e) Any other LTCG [not covered by Section 10(33), 10(36) and 10(38)]   | 20% | 20%  |                  |
|                      | (f) Interest Income on moneys borrowed or debt incurred in foreign currency (not being interest referred to in Sec. 194LB or 194LC or 194LD)  | 20% | 20%  |                  |
|                      | (g) Fees for technical services payable in pursuance of an agreement approved by the Central Govt. / it is in accordance with industrial policy.  | 10% | 10%  |                  |
| (h) Any other income | 30%   | 30% |      |                  |

*Note: If valid PAN/Aadhar No is not provided, the above applicable rate would be 20% as per section 206AA.*

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