

Ministry of MSME gears up to implement the New Norms of classification of MSMEs

As stated earlier, the upper ceiling for classification of MSMEs now has been raised

New definition and criterion notified; will come into effect from 1st July, 2020.

As part of new definition, Exports will not be counted in turnover for any enterprises whether micro, small or medium.

Detailed guidelines along with other clarifications and regulations being issued separately

Handholding mechanism named "Champions" in place to assist MSMEs

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Union Ministry of Micro, Small and Medium Enterprises (M/o MSMEs) has issued Gazette notification to pave way for implementation of the upward revision in the definition and criteria of MSMEs in the country. The new definition and criterion will come into effect from 1st July, 2020.

After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the Atmnirbhar Bharat package on 13th May, 2020. As per this announcement, the definition of Micro manufacturing and services units was increased to Rs. 1 Crore of investment and Rs. 5 Crore of turnover. The limit of small unit was increased to Rs. 10 Crore of investment and Rs 50 Crore of turnover. Similarly, the limit of medium unit was increased to Rs. 20 Crore of investment and Rs. 100 Crore of turnover. The Government of India on

01.06.2020 decided for further upward revision of the MSME Definition. For medium Enterprises, now it will be Rs. 50 Crore of investment and Rs. 250 Crore of turnover.

The existing criterion of definition of MSMEs is based on the MSMED Act, 2006. It was different for manufacturing and services units. It was also very low in terms of financial limits. Since then, the economy has undergone significant changes. After the package announced on 13th May, 2020, there were several representations saying that the announced revision is still not in line with market and price conditions and hence it should be further revised upwardly. Keeping in mind these representations, Prime Minister decided to further increase the limit for medium Units. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business.

Also, a new composite formula of classification for manufacturing and service units has been notified. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover is added.

Ministry officials said that the new definition will pave way for strengthening and growth of the MSMEs. Particularly, the provision of excluding the exports from counting of turnover will encourage the MSMEs to export more and more without fearing to lose the benefits of a MSME unit. This is expected to exponentially add to exports from the country leading to more growth and economic activity and creation of jobs.

Detailed Guidelines and Clarifications as regards the classification in pursuance of the changed definition are being issued separately by the MSME Ministry.

Ministry of MSME has reiterated that it has put in place a very strong handholding mechanism for MSMEs and new entrepreneurs in the name of Champions (www.champions.gov.in) which was recently launched by the Prime Minister. Interested Enterprises/People can take benefit of this mechanism and can also put their queries or complaints. The same will be attended to with utmost promptness.

RCJ/SKP/IA

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