GST AND MSME : CHALLENGES AND STRATEGIES.

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ABSTRACT
Goods and Service Tax may be a comprehensive tax levy on manufacture, sale and consumption of products further as services at national level .Currently we tend to area unit witnessing, however this tax reform reshapes our economy and business dynamics for small, little and Medium Enterprises. Flourishing amidst a difficult setting, the small and Medium Enterprises (SMEs) of India fully fledged many highs and lows within the past few years. With the Indian economy expected to emerge jointly of the leading economies within the world and certain to become a $5 trillion economy by 2025, major impetus is being given to strengthen the rear bone of our economy-the SME sector. This paper highlights to understand the GST and MSMEs and Impact of GST and MSMEs.

Key words-- GST, MSMEs

INTRODUCTION.

Since 1st july,2017 GST has become associate apple of eye for the entire finance sector . Introduction of GST has served as a paradigm shift within the finance sector , one in every of the largest most radical taxation reforms in Asian country , all to line to integrates state economies and boost overall growth. GST could be a comprehensive taxation that merge seventeen indirect taxes and twenty three cess on manufacture, sale and consumption of products and services throughout Asian country (Except state of Jammu and Kashmir), to interchange taxes levied by the central and state governments . it had been introduced because the Constitution (One Hundred and initial Amendment) Act 2016, following the passage of Constitution 122nd modification Bill. Indian small tiny and Medium Enterprises (MSME) sector has emerged as a extremely vivacious and dynamic sector of the Indian economy over the last 5 decades. SMEs not solely play crucial role in providing giant employment opportunities at relatively lower opportunity cost than giant industries however additionally facilitate in industry of rural areas. MSMEs area unit complementary to giant industries as subsidiary units and this sector contributes hugely to the socio-economic development of the country. Therefore impact of tax reform largly results in MSME that ultimately result the development of the country. The target of the paper is to

1. To understand about GST and its impact on MSME
2. Important measures taken by the government to overcome the challenges of MSME

GST COUNCIL

The GST is governed by GST Council and its Chairman is Union Finance Minister of India It is historic and probably the world biggest tax reform. The road to 'one nation one tax' was not an easy task in a developing country like India with huge economic disparities. It was really a rollercoaster ride for India. Its corporate frederalistic structure of GST council has brought the whole nation in formulation of one tax regime . It is commendable on part of GST council to arrive at the decision on a consensus basis despite of difference in political philosophy between the political parties in different states. Major decisions taken by the GST council can be summarised as –reduction in the rate of taxes, extension of due dates in filing returns postponement of reverse charge applicable on procurement from unregistered person ,postponed of requirement of E-way bill when system was not ready, increase in the threshold limits for composition scheme, quarterly return filing for tax payers, restoration of export incentives, relaxation in respect of compliances relating to refunds etc. The government has prudently implemented GST along with GST council fixing many glitches faced by taxpayers. Considering the scale of changes, it has undergone it is too early to pass the final verdict of success. Another inevitable factor which goes hand in hand with GST council in implementation of GST is GSTN.

GSTN

Goods and service tax network (GSTN) provides technical support to the GST project. It is digital platform for uploading the tax return in real time basis. The data thus created is reliable and becomes an indicator to analyse the financial health of the economy and in policy making. Hence it can be said as GSTN is the back bone of the goods and service tax regime.

GST declared as 'one nation one tax' and assures an ease of doing business.

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country.

Review of Literature

Lahiri (2014) conducted a study on the Small Scale Industries at the Howrah district in West Bengal and found out that labour scarcity and problem of skilled labour to be one of the ten topmost problems of those MSMEs. He investigated that about 50 percent of the enterprises faced labour issues. Although MSMEs are known for highly skilled labourers with extremely high degree of precision and proficiency, they are not familiar with the latest machinery and are unable to match up their skills according to the demands of the market and requirements of the job.

According to the Annual Report on MSME, Ministry of Micro, Small and Medium Enterprises, Government of India (2013-14), a Credit Guarantee Fund Scheme for MSEs has ensured credit availability for loans upto 100 lakh without collateral/third party guarantees.

Chakrabarty (2012) mentions that delayed payments from big companies to the MSMEs disrupt their business cycle and eventually lead to sickness.

The MSMED Act, 2006 brought in improved provisions but that is not helping the enterprises to a significant level because the enterprises are afraid of filing complaints against the corporate companies. The MSMEs are also discouraged due to onerous legal procedures. RBI has instructed banks to maintain sub-limits within overall limits sanctioned to the corporates for payment to MSMEs in lieu of their purchase orders.

Das (2011) adds that the emergence of microfinance in the 1980s was mainly due to the failure of subsidy-oriented targeted programs in the past decade

The Micro, Small and Medium Enterprises Development (MSMED)

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address different issues affecting MSMEs inter-alia the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises as also enhance their competitiveness.

The MSMED Act has the following key provisions: -

Establishment of a National Board for Micro Small and Medium Enterprises headed by the Minister for MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs, review the policies and programmes of the Central Government and make recommendations in regard to facilitating the promotion and development and enhancing their competitiveness. - It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprise as micro medium and small.

Definitions of Micro, Small & Medium Enterprises :In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

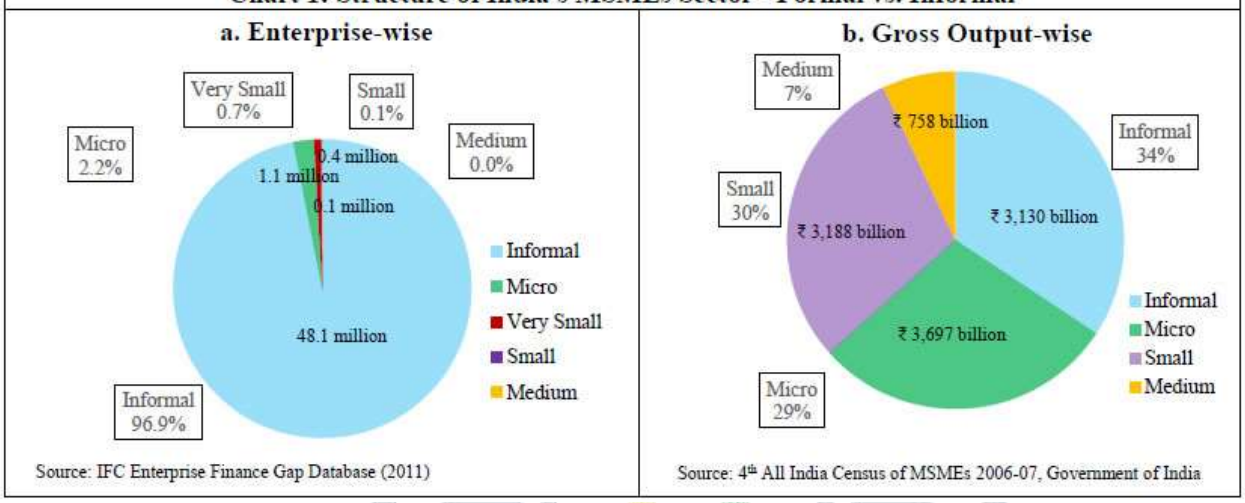
Manufacturing Sector

Enterprise Category	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

Service Sector

Enterprise Category	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
: Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

Chart 1: Structure of India's MSMEs Sector - Formal vs. Informal



Role of MSMEs in Indian Economy

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country's Gross Value Added (GVA)1 and Gross Domestic Product (GDP)2 , at current prices for the last five years is as below:

Table 2.1: Contribution of MSMEs in Country's Economy at Current Price
(Figures in Rs. Crores adjusted for FISIM3 at current prices)

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

1 Gross Value Added (GVA): It may be noted that estimates of GVA had been prepared at factor cost in the earlier series (base year 2004-05), while these are being prepared at basic prices in the new series (2011-12). GVA estimated by production approach: (GVA = Output – Material Inputs) and GVA estimated by income approach: (GVA = Compensation of Employees + Operating Surplus + CFC)
2 Gross Domestic Product (GDP): GDP is derived by adding taxes on products, net of subsidies on products, to GVA at basic prices.
3 FISIM: In the previous base, the FISIM component of the output of financial intermediaries was based on the difference between total property receipts (dividend+ interest+ net profit on sale of investments) and total interest payments by the banking sector. In the present base, the FISIM has been computed only on loans and deposits, using the Reference Rate (RR) approach, as recommended in the SNA 2008. In short, it is (LR-RR) average stock of loans + (RR-DR) * average stock of deposits. The RR = harmonic mean of lending rate and deposit rate for the banking sector. Moreover, FISIM, under the present method, does not include interest receipts on investments and debt securities, interest paid on borrowings and debt securities and net profit on sale of investments (POSI). These components have been considered as property income, which come directly under the gross savings of the financial corporations. Exclusion of receipts like POSI from the FISIM computation has also reduced the GVA of the banking sector.*

Source: Annual Reports of Ministry of MSME

MSMEs have a crucial role to play in the development of the Indian economy along with ensuring a fair, equitable and employment friendly growth. Being the second largest employment-generator in India after agriculture, they are a key source for various skilled and unskilled citizens of the country. Even our then PM Dr. Manmohan Singh stated that "the key to our success in employment lies in the success of manufacturing in the small scale sector." Hence issues relating to SME after implementation of GST have to be addressed carefully for further development of economy and success of the new system. To communicate the importance of SME sector, some key SME data

Number of SME in India: the number is estimated to be 4250 million, registered and un registered together staggering 95% of total industrial unit in the country.

SME and Employment opportunity: Employs about 106 million, 40% of India's work force. Next only to agriculture sector.

Product: more than 6000 product.

GDP contribution.6.11% of manufacturer. 24.63% of services sector GDP.

SME output: 45% 0f total Indian manufacturing output.

SME Export: 40% of total export.

SME growth rate Average growth rate over 10%
(Source: MSME.GOVT.IN)

Micro, Small and Medium Enterprises Sector in India plays a significant role in the Indian economy. A catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment, reducing poverty, and discouraging rural-urban migration. These enterprises help to build a thriving entrepreneurial eco-system, in addition to promoting the use of indigenous technologies. The sector has exhibited consistent growth over the last few years, but it has done so in a constrained environment often resulting in inefficient resource utilization. Of the many challenges impeding the growth and development of MSMEs, inadequate access to financial resources is one of the key bottlenecks that make these enterprises vulnerable, particularly in periods of economic downturn. Exclusive credit Plans for Micro Small and Medium Enterprise entails providing lower rate of interest for growing business units and offering them access to banking services at low rate of interest, quick processing and servicing. The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth

GST in SME

Category	Unregistered	Composition	Regular	Unregistered
Aggregate turn over	<=20lakh <=10lakh(special category state)	<=1crore <=75lakh (special economic states)	>1 crore >75 lakh (special economic state)	Exempted dealers.
Local purchase	Allowed	Allowed	Allowed	Allowed
Local sales	Allowed	Allowed	Allowed	Allowed
Interstate purchase	Allowed	Allowed	Allowed	Allowed
Inter state sales	Not Allowed	Not Allowed	Allowed	Allowed
Inter state stock transfer	Not Allowed	Not Allowed	Allowed	Allowed
Inter state service	Allowed	Not Allowed	Allowed	Allowed
RCM specific category (sec9(3)	Compulsory registration	Applicable	applicable	compulsory registration
RCMs(sec9(4)URD	Not Applicable	Not applicable till 30th sept.	Not applicable till 30th sept.	Not applicable
For regular GSTR1/2/3 and 9 For composition GSTR4 and 9	No return	1 quarterly 1 annual	<1.5cr quarterly >1.5 cr monthly 3 return and 1 annual return	No return
Invoice type: Exempted supply	Any type	Bill of supply	Bill of supply	Any type

Taxable supply	Any type	Bill of supply	Tax invoice	Any type
Out put tax liability	No liability	1%,2%,3%+RCM @regular rate	Regular rate	No liability
ITC	No ITC	No ITC	allowed	No ITC

COMPLIANCE ISSUE FOR MSME

There is a perception in industry and business media that the compliance burden on MSME has gone up significantly under GST regime. The degree of compliance and transaction level data required to be submitted under GST is extensive. A 'lighter' but multiple compliance burdens existed across multi various taxes. There is a perception in industry and business media that the compliance burden on MSME has gone up significantly under GST regime. The degree of compliance and transaction level data required to be submitted under GST is extensive. A 'lighter' but multiple compliance burdens they are:.

Multiple returns to be filed /registration

Under GST law every supplier of goods and services is required to be registered under GST act if the turnover is 20 lakh or more and 10 lakh or more in north east India (sec (12).the biggest challenge of SME was filling of multiple returns.GSTR1/2/3 on monthly basis.SME found it impractical to handle the quantum of return, the GST council took measure to the complaint and introduces GSTR-3B return which was filed on monthly basis along with quarterly GST return. But problem arises when new rule made it mandatory for all registered tax payers to file the return even if they have zero transaction and 22% of taxpayers fill nil return.

Business with turnover of less than 1.5cr can opt for composition scheme as simpler return format. Composition scheme provides the provision for small tax payers to file their tax return at a fixed rate of their revenue every quarter. The subscriber of this scheme must be manufacturer and have to let go of the benefit of input tax credit. Again if the registered person is transacting with un registered person the registered person has to pay the tax. This invoice has to be uploaded to the GST system.increase in compliance will leads to increase in cost.

Multiple and unreasonable rates

Currently there is a multi –tier rate structure with five broad categories of 0%, 5%, 12%, 18% and 28%. Rough diamonds and precious stones are subject to 0.255gst while 3%tax is levied on gold and silver. Demerits and luxury goods, which fall in the 28% slab, are subject to an additional cess of 1-15%. GST tax payers look forward to simplified filling forms. The simplified system of GST return will find favour among both big and small business .the success follows in wide spread compliance and favourable revenue growth.

Small scale business which were earlier exempted paying excise ,have gone from VAT in range 5%-12% to GST of 18 % ,a rate which is highly disproportionate with revenue they have. The Economic survey for fy 16-17 showed that out of total return filed under GST during the period,99.4%were filed by SME, amounting to 45.6% of the total tax paid.

Small traders have shown steep fall in sales from 40-60%. The goods which were sold on 5% vat under GST most of the product fall under 18% slab and 28%slab.this discourages the customer from buying goods from small buyers and rather go to branded store and sell out more money, as they already pay more to branded goods.

Paved way to large corporate:

The organised business with turnover more than1.5 crore was already paying about 24% taxes with a combined levy of sales tax, excise and vat. For them the GST has intact brought down the effective tax they have to pay, on in some cases only marginal increase. They are also equipped to constantly upgrade the infrastructure needs to fine numerous GST return every quarter, than a SME. For SME higher tax outflows means lesser profitability.

Another challenge to small enterprises are large supplies find much economical by switching to importing goods instead of manufacturing themselves .now even the smallest manufacturer has to pay 118%gst.import and trading on the other hand is much easier. There is no countervailing duty or special addition duty on import now. So goods imported and domestically manufactured goods have no difference, making it hard for SSI to be able to compete with large business. Under old excise law, CVD and special

addition duty were levied on import to create priority or edge to domestic manufacturer to provide goods cheaper than import goods. The CVD was levied at rate equal to the excise charge on a good it was to be producing locally.

Increase compliance cost:

According to local circle survey conducted on 13000 SME compliance cost increase. . Before returns have to be filed every quarterly or even half yearly but with the implementation of GST you have to file 3 returns per month plus 1 return yearly i.e. a total of 37 returns per year for a organization which is doing its business in 10 states this 37 will become 370, this is a huge number of returns to be filed and will need a proper system or will become troublesome for the organization. These invoices have to be uploaded by the entity by the 10th of every month and will need to be reconciled by the 15th of every month. SMEs are not used to carrying out such detailed and timely tax transactions and will need to hire personnel to help with tax management and compliance. again for SME volume of business are very large where the value is small this increases charges of \professional for filing returns substantially more than 50%.this increases the burden of SME.

Technical issues

Introduction of GST has brought to increase number of tax payers. These include the tax payers who are new to tax regime and new to online tax regime. The new system of return filing includes number of monthly, quarterly return to be uploaded through GSTN. More than half of India's businesses are still having trouble logging in and submitting information on GST network. Form 1, 2, 2a, 3b, 10 and lot of them in between the GST regime brought with itself a new frame work for filing return with an online one stop filing window-goods and service tax network. For SME who are moving from manual book keeping and physical invoices to digital one have to manage tide through the initial learning phase, there are several requirement that are proving to be painful especially those that put the compliance burden of errant business on honest one. The platform need to be further simplified especially because small entrepreneur are not educated on the taxation front.

Input Tax Credit.

ITC can be availed by a registered taxable person in a specific manner and within a specified time frame. For example, If a person has applied for registration or is liable to register or is granted registration he can claim ITC from the day when he is liable to pay taxes; When a person takes voluntary registration he can claim ITC from the registration day; When a taxable registered person stops paying taxes in composition levy scheme he will be allowed to claim ITC only from the day when he is liable to pay tax normally.

For any other cases, ITC must be claimed before you file a valid return for the September month i.e. 27 days after the end of financial year to which the invoice is related, OR Before you file the annual return, the due date to file the annual return is December 31 after the end of the financial year. **.**

Input credit will only be available after a supplier declares the particulars of the supply and after these details are validated by the buyer electronically. Thus, a supplier is heavily dependent on the buyer's response, leading to a probable time lag in availing input credit. The ability of an SME to claim refunds is a direct result of its GST compliance rating. Going ahead, SMEs will be accountable for their suppliers' non-compliance and they may take a hit on their Compliance Rating due to non-compliance at any leg of the operating cycle, right from procurement to service. Maintaining compliance records, periodic audits will need to be instated to ensure compliance of all stakeholders. This responsibility of supplier-side compliance is an added cost to the company.

Refund getting stuck, a complex filing process and corruption in refund process is big challenge for MSME. Most of the traders have to pay major amount of income tax and apply for trade later because of minor errors in filing return. Small business who are shifting to on line transaction are facing working capital constrain as they have to pay GST well before they actually get paid for goods. Large corporate including PSU some time take a year or two to pay their suppliers but those small businesses have to pay GST when they make invoices. Exporter especially the SME players have been worst hit after GST regime due to blocked refund of the IGST input credit. Soft ware hitches are slowing things down especially for

ITC refund filing error and entry mismatches in GST return and refund claim is also problem. The CBIC claimed to have refunded 6,087 cr totals of 1.68 lakh shipping bills were processed during the period and IGST refund claims of about 9,293 exporters were sanctioned including those of about 3500 whose dues had been held up the CBIC said.

The issue for Micro enterprises in India are

The Micro, Small and Medium Enterprise sector is very crucial for India's economy. There are 361.76 Lakhs enterprises in various industries, employing 8.05 crores of people. The sector includes 26.61 Lakhs women-led enterprises comprise of 7.4% of the enterprises and 2 crores of rural enterprises, comprise around 55.34% of the total enterprises (Annual MSME Report 2016-2017). This sector can be bifurcates in to two sectors, registered and unregistered sector. Registered sector is mainly composed of those enterprises which are permanently registered with District Industries Centers in the State, KVIC (Khadi and Village Industries Commission) and Coir Board. This sector also includes those factories come under the section 2m(i) and 2m(ii) of the "Factories Act 1948". For the registration of enterprises, entrepreneurs were needed to file "Entrepreneurs Memorandum" (EM). Since 2015, this memorandum has been replaced by the "Udyog Aadhaar Memorandum" (UAM). The enterprises in the unregistered sector are either not registered permanently or have not filed Entrepreneurial Memorandum/Udyog Aadhaar Memorandum with District Industries Center.

Total Number of MSMEs	361.76 Lakhs
Registered MSMEs	15.64 Lakhs
Unregistered MSMEs	346.12 Lakhs

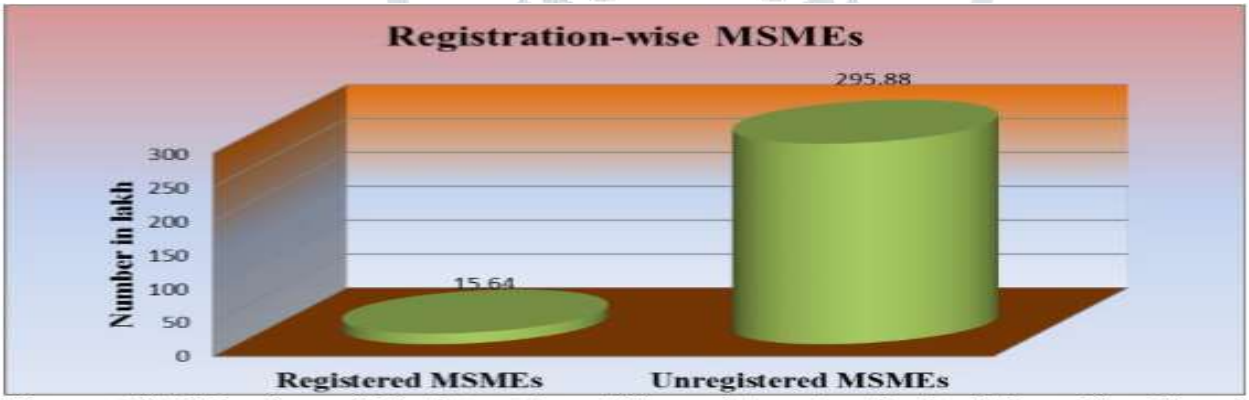


Figure 1.3: Number of Registered and Unregistered units in Micro, Small and Medium enterprises (MSMEs) sector

Source: *Annual Report, 2016-17. Ministry of MSMEs, www.msme.gov.in*

From the above figure its clear apart from all this initiation from the government the major MSME come under unregistered sector. It can be inferred from the figure , that the size of registered sector is too small as compared to unregistered sector. In percentage terms, this sector comprises 5.02% of the total MSME sector and 94.08% represents the unregistered sector. There are 15.64 lakhs units in registered sector and 295.88 lakhs units in unregistered sector. The most prominent reason for the non-registration of units is the unawareness of the people towards the provisions of registration. (Ravi, S. 2009)

Table 1: State-wise Distribution of Estimated Number of MSMEs (NSS 73rd Round)

Sl. No.	State/UT	Estimated number of enterprises (Number in lakh)			
		Micro	Small	Medium	MSME
1	Andhra Pradesh	33.74	0.13	0.00	33.87
2	Arunachal Pradesh	0.22	0.00	0.00	0.23
3	Assam	12.10	0.04	0.00	12.14
4	Bihar	34.41	0.04	0.00	34.46
5	Chhattisgarh	8.45	0.03	0.00	8.48
6	Delhi	9.25	0.11	0.00	9.36
7	Goa	0.70	0.00	0.00	0.70
8	Gujarat	32.67	0.50	0.00	33.16
9	Haryana	9.53	0.17	0.00	9.70
10	Himachal Pradesh	3.86	0.06	0.00	3.92
11	Jammu & Kashmir	7.06	0.03	0.00	7.09
12	Jharkhand	15.78	0.10	0.00	15.88
13	Karnataka	38.25	0.09	0.00	38.34
14	Kerala	23.58	0.21	0.00	23.79
15	Madhya Pradesh	26.42	0.31	0.01	26.74
16	Maharashtra	47.60	0.17	0.00	47.78
17	Manipur	1.80	0.00	0.00	1.80
18	Megahlaya	1.12	0.00	0.00	1.12
19	Mizoram	0.35	0.00	0.00	0.35
20	Nagaland	0.91	0.00	0.00	0.91
21	Odisha	19.80	0.04	0.00	19.84
22	Punjab	14.56	0.09	0.00	14.65
23	Rajasthan	26.66	0.20	0.01	26.87
24	Sikkim	0.26	0.00	0.00	0.26
25	Tamil Nadu	49.27	0.21	0.00	49.48
26	Telangana	25.94	0.10	0.01	26.05
27	Tripura	2.10	0.01	0.00	2.11
28	Uttar Pradesh	89.64	0.36	0.00	89.99
29	Uttarakhand	4.14	0.02	0.00	4.17
30	West Bengal	88.41	0.26	0.01	88.67
31	A & N Islands	0.19	0.00	0.00	0.19
32	Chandigarh	0.56	0.00	0.00	0.56
33	Dadra & Nagar Haveli	0.15	0.01	0.00	0.16
34	Daman & Diu	0.08	0.00	0.00	0.08
35	Lakshadweep	0.02	0.00	0.00	0.02
36	Puducherry	0.96	0.00	0.00	0.96
	ALL	630.52	3.31	0.05	633.88

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The details regarding state wise distribution in which we can understand that major MSME is from the micro sectors. But still majority of these sector are in informal sectors. The real benefit of GST comes only when these micro units comes under tax regime. The informal sector cannot reap the benefit until they are registered. Large firms will be interested to do business with unregistered sector as it increase the compliance of registered business through reverse charge mechanism which leads to delay in input tax credit. We shall now discuss issues faced by micro units

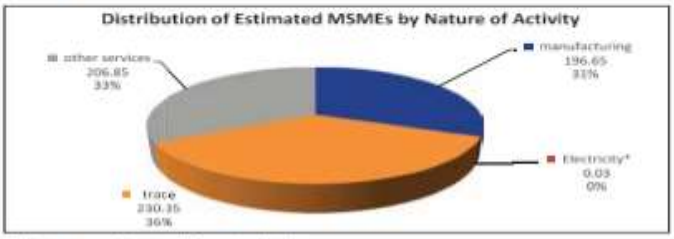
Urban Rural divide

There is a big gap between infra structure availability and accessibility in urban and rural India. Since major contribution is from micro sector in rural area, the impact of GST will be completed only after the study of all micro units in India

Table 2.2: Estimated Number of MSMEs (Activity Wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
All	**324.88**	**309.00**	**633.88**	**100**

**Non-captive electricity generation and transmission*



**Non-captive electricity generation and transmission*

Figure 2-1 Distribution of Estimated MSMEs (Nature of Activity Wise)

Table 2.3: Distribution of Enterprises Category Wise

(Numbers in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	**630.52**	**3.31**	**0.05**	**633.88**	**100**

In India geographical disparity is more which reflects in all the policies of India. Urban sectors are privileged with good infrastructure facilities both physical, technological and manpower to boost the business which is not the same in rural sector. Hence one tax one nation is practically illogical for country like India.

Technology access

GST is purely technological driven leading to paperless transactions. It will be only possible with the support of technical know how and other hard wares. Most of the micro units are in rural areas related to manufactural unit dealing with traditional business. Lack of the skill to use computers and other digital devices like smartphones and tablets keeps a big section of the study population away from the digital world .most of the micro units have poor infrastructure to support it services.,the in adequate infrastructure turn out to be the biggest bottle neck.

Digital divide-Urban and rural

With the internet becoming essential for education, communication, livelihoods and government services and entitlements, access to the internet is no longer a privilege or luxury. Those Micro units do not have access to the internet will fall further and further behind in the digital age. The the extent of digital inequality in a rapidly-expanding Indian urban and explores the barriers to internet access for the poor rural sector. This inequality also effect in following the compliance of GST.

Literacy levels

India is a developing country with an average literacy rate of 70.4%, were there are many villages still not know to read or write. This illiteracy leads to unawareness about the benefit of GST and make them reluctant in coming into the regime of goods and service tax. Only a literate person can operate GST through GST portal, this brings another issue to micro unit to come into the compliance of GST.

Though government is taking measures to uplift micro units still its benefit has not reached to the grass root level.

While all these issues are being addressed it should be noted that revenue collection under GST have picked up, on account of the growing tax base. GST is a long term structural reform measure. After one year for sure initial glitches have been overcome and now the nation is ready to ride on to the new system. It is the result of seamless effort of GST council and quick response to the query of the clients. It should be noted that apart from political disparities all the decision was taken through consensus. Not a single decision was taken through voting .This itself shows readiness of whole nation to new tax regime. The union minister said that as the tax revenue from GST goes up their will be rationalisation further

GST , key achievements MSME and measures taken by the govt.

At present, the entire assembling in India is around 14.5 lakh large integer, of that thirty fourth is taxation. Indirect taxes embrace service tax, stamp duty, impost, VAT, etc. It refers to the gathering of tax indirectly by the govt. In most of the developing countries, the share of taxation is over the revenue enhancement. However, within the developed countries the share of taxation is way lower. Therefore, the new GST

implementation can permit the govt. This could be capable of evolving the whole legal system. For a developing country like India and its demographic diversity, SMEs have emerged because the leading employment-generating sector and has provided balanced development across sectors. Let‘s examine what would be the impact of GST on little & Medium Enterprises. All the compliance procedures underneath GST — Registration, Payments, Refunds and Returns can currently be dole out through on-line portals solely and so SMEs needn't worry concerning interacting with department officers for concluding these compliances, that area unit thought-about as a headache within the current tax regime. Compliance Procedure Positives Negatives Registration on-line registration can guarantee timely receipt of certificate of registration and minimal forms interface Not all the SMEs have technical experience to modify on-line systems, so most of them can would like intermediaries to get registration for them. Payment Electronic compliance can bring transparency and can conjointly cut back the compliance value. Since funds area unit needed to be maintained within the type of electronic credit ledger with the tax department, it's going to end in liquidity crunch. Refund Electronic refund procedures can agency the method and enhance liquidity for SMEs Refunds is claimed solely when filing of relevant returns. Conjointly it depends on the compliances done by the provider and his rating. Returns All returns area unit needed to be filed electronically and input reduction and liabilities adjustment can happen mechanically on the premise of those returns Minimum of 37 returns area unit needed to be filed by each registered remunerator throughout a fiscal year. So SMEs can need to deploy extra resources and ultimate value of compliance can increase direct impact of GST on little and medium enterprises GST can facilitate and ease .The MSME sector that has been hit exhausting by ending and by the haphazard implementation of GST. Released by the Finance Ministry, the communication sought-after to spotlight the key achievements,

Access to loan

Measures taken here was the launch of the 59-minute loan portal to alter quick access to credit for MSMEs. The launch loans up to Rs one large integer will currently be granted in-principle approval through an ardent portal launched for this purpose. Bringing relief to GST compliant MSMEs, proclaimed a two-percent interest subvention for all GST registered MSMEs, on contemporary or progressive loans. To help ease capital woes of commercialism fraternity, Modi conjointly proclaimed a rise in interest rebate from 3 p.c to 5 p.c for exporters World Health Organization receive loans with in . Further, corporations with a turnover over Rs five hundred large integer are asked to affix the Trade assets e-Discounting System (TReDS) portal. Change of integrity the portal can alter entrepreneurs to access credit from banks, supported their future assets.

Access to Markets

Another important live geared toward enhancing access to markets for entrepreneurs, Public Sector corporations have currently been asked to obligatorily procure 25%, rather than 20% of Mentioning that 1.5 crore suppliers have currently registered with Government e-marketplaces (GeM), out of that 40,000 area unit MSMEs, all Public Sector Undertakings of the Union Government should currently obligatorily He reiterated that every one such PSUs ought to conjointly get their vendors registered on GeM. has maintained that, out of the 25% procurable mandated from MSMEs, 3 % should currently be reserved for ladies entrepreneurs.

Technology Up gradation

On technological up gradation front, keeping under consideration the importance of tool rooms as an important a part of product style, Modi proclaimed that twenty hubs, and a hundred spokes within the type of tool rooms can before long be introduced across the country.

Ease of Doing Business

For facilitating a additional causative business surroundings for MSMEs, variety of measures are introduced by the govt. Noteworthy is, as a part of the modified norm, the come underneath eight labour laws and ten Union laws should currently be filed just the once a year. Further, for examination functions, the institutions to be visited by associate degree inspector can currently be determined through a computerized random allotment. Noted that as a part of establishing a unit, associate degree businessperson currently desires solely to clearances specifically -- environmental clearance and consent to determine. Since each pollution and pollution laws have currently been unified, these, would afterward need one consent and any connected come are accepted through self-certification. With relevancy minor violations underneath the businesses Act, associate degree ordinance has currently been introduced by the govt., under this, entrepreneurs can now not need to approach the courts, instead, they'll take remedial measures themselves through easy procedures.

Social Security for MSME Sector Employees

Highlighted the requirement for introducing social insurance for the MSME sector staff.The finance ministry note says that a mission are launched to make sure that they need Gregorian calendar month Dhan Accounts, Provident Fund and Insurance. The implementations of such associate degree 'Outreach Programme' for observance social insurance for MSME Sector staff are intensively monitored over successive a hundred days.

IMPORTANT EVENTS, SIGNIFICANT DEVELOMENTS AND MAJOR ACHIEVEMENTS UNDERTAKEN 2019:

1. As per RBI report dated 30/08/2019 on Sectoral Deployment of Bank Credit (July 2019), the deployment of Gross Bank Credit witnessed a year-on-year growth of 11.4 % in July 2019 as compared with an increase of 10.6 % in July 2018. However, credit growth to Micro & Small Enterprises (M&SE) decelerated to 7.8 % in July 2019 from 11.4 % in July 2018.

2. The Ministry has a system of holding regular dialogue with Industry Associations to obtain their suggestions and to make them aware of latest initiatives of this Ministry. In the recent interactions, the following emerged:-

➢ For promotion of exports, there is a need for awarding special status to MSME exporters with more than 70% export turnover and need for a dedicated government agency to provide assistance and guidance to MSME exporters on standards and certifications

➢ MSEs should be treated at par with Financial Creditors under water fall mechanism in Insolvency and Bankruptcy Code 2016.

➢ Under TReDS, the registration of MSMEs should be permitted without any recommendation of Large Corporates/ PSUs.

3. Indo Danish Tool Room(IDTR), Jamshedpur, conducted a workshop on 'Industry 4.0 for MSME's on 23rd August, 2019 in collaboration with Design Tech System, an Indian partner of M/s PTC (a global software company), where 101 participants designed and manufactured a Blanking Tool (an import substitute) for 5th wheel coupling pedestal for a MSME Unit namely, M/s Jost India Ltd., Jamshedpur.

4. Central Tool Room (CTR) Ludhiana developed the following Import Substitutes:-
(a) Design, development and indigenization of Expander Assembly Tool for the Nuclear Power Generation Plant, Rawatbhata, Rajasthan.
(b) Development of CRC Steel Rolling Mill tools in association with Heat Treatment and Testing Lab facility for a MSME Unit namely M/s Jagdeep Engineering, Ludhiana.
5. Fifteen new Technology Centres (TC) are being set up under Technology Centre Systems Programme (TCSP) at an estimated cost of Rs. 2200 Cr apart from upgradation of existing Technology Centres.The work for construction of 13 out of 15 approved Technology Centres under TCSP at Rohtak, Bhiwadi, Baddi, Bengaluru, Durg, Puducherry, Vishakhapatnam, Sitarganj, Bhopal, Kanpur, Imphal , Ernakulam and Greater Noida are in advanced stage. Out of these, the civil work for the Bhiwadi TC is complete and the centre is ready to be inaugurated.

6. Implementation of Restructured Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS) which include six components namely, Zero Defect Zero Effect (ZED), Intellectual Property Rights (IPR), Digital MSMEs, Incubation, Design, and Lean manufacturing has been initiated.
7. To assist MSMEs, 94 Enterprise Development Centre (EDC) have been made operational in MSME-Development Institutes. These centres host the services to the MSME entrepreneurs in the area of awareness of Government Schemes, market access, technology, credit facilitation etc.
8. NSIC and State Bank of India signed a Memorandum of Understanding (MoU) on 05.08.2019 to promote Credit facilitation for sustainable development of MSMEs.
9. NSIC–TSC, Hyderabad entered into a MoU with Osmania University, Hyderabad, Telangana, India. NTSC, Hyderabad will get good number of students/trainees to impart various academic, technical training programs, projects, Internships and Skill development programs to good number of students /trainees and knowledge sharing between Osmania University and NTSC Hyderabad

ACHIEVEMENTS:

1. The Ministry utilized Rs.1967.22 crore out of the budgetary allocation of Rs.7011.29 crore by 31st August, 2019 which is 28.06 % of the allocated amount.
2. Under the Prime Minister's Employment Generation Programme (PMEGP), margin money subsidy of Rs.331.32 crore has been disbursed by the banks up to 31.08.2019 which will facilitate setting up of 10,731 micro enterprises creating employment of around 85,848 persons.
3. MSME Sambandh: As on August 31, 2019, procurement of Rs. 9,843.94 crore has been made by 94 CPSEs from 41,258 Micro and Small Enterprises (MSEs) including procurement of Rs.178.42 crore from 1,363 SC/ST-owned MSEs and Rs. 122.97 crore from 744 Women-owned MSEs out of a total public procurement of Rs. 35,733.40 crore thereby achieving 27.55% of the total procurement from MSEs.
4. MSME Samadhaan: Upto 31st August, 2019 a total number of 24,220 applications were filed by MSEs in MSME Samadhaan Portal involving an amount of Rs. 6,223.12 Crore. Out of these, 1893 applications have been mutually settled involving Rs. 243.85 crore. A total of 6,028 applications were converted into cases and 3,948 applications have been rejected by MSEFC Councils. 4252 cases have been disposed by MSEFCs involving Rs. 1247.51 crore.
5. Micro and Small Enterprises - Cluster Development Programme (MSECDP): Three Common Facility Centres (CFCs) in Printing Cluster (Chamarajpet, Karnataka), Textile Cluster (Navapur, Maharashtra), Engineering & Allied Product Cluster (Bhosari, Pune, Maharashtra) have been commissioned in the month of August 2019 apart from upgradation of Infrastructure Development Centre at Bame, Arunachal Pradesh. Also, 4 Common Facility Centres (CFCs) have been commissioned and 3 Industrial Estates have been made functional/ upgraded upto the month of August 2019.
6. Under the Credit Guarantee Trust Scheme for MSE (CGTMSE), during the month of August, 2019 a number of 29,368 proposals involving an amount of Rs. 1934 Crore have been approved. During the FY 2019-20 (Upto August), a total number of 1,49,714 proposals involving an amount of Rs. 10,891 crore have been approved.

7. Various institutes and organizations under the Ministry of MSME viz. NSIC, KVIC, NI-MSME and Office of DC(MSME) imparted skill training to 34,563 persons during August, 2019. The number of persons trained this year, upto 31st August, 2019 is 1,27,878

Union Minister for MSME Nitin Gadkari aforesaid that his vision is to extend MSMEs contribution to India's gross domestic product to over five hundredth from the present twenty ninth whichfor the Indian economy to scale the $5 trillion mark, the cooperation of the MSME sector are crucial.Exports' contribution that presently stands at five hundredth from the world are exaggeratedto seventy fifth whereas employment generation can reach fifteen large integer folks from the MSME phase as against eleven.10 large integer at this time.It .Emphasising the importance of MSMEs, Gadkari aforesaid that the destruction of poorness is that the highest priority of the govt.. "We want a lot of investment, innovation, research, employment.while not that we have a tendency to can't eradicate poorness.we have a tendency to ar an upscale country with a poor population.this can be the world that is that the backbone of the economy and is extremely vital for the event of the country."Many corporations might face a stress on their operating when a merchandise and Services Tax (GST) regulation might cause many crores stuck in input step-down claims.A government regulation that disallows corporations to require input step-down if merchant invoices aren't uploaded on the GST network is making issues for the businesses, aforesaid folks within the apprehend.per the GST law, invoices need to be uploaded on the GST IT network for each group action for it to be complete and eligible .per the GST law, invoices need to be uploaded on the GST IT network for each group action for it to be complete and eligible for tax credits.Companies ar claiming that since the rule doesn't specify the fundamental measure of this calculation, it's making a state of affairs wherever some corporations might find yourself losing input step-down"Restrictions on input tax credits just in case of invoices that haven't been uploaded by the provider to twenty of .. the remunerator to feature to details that suppliers haven'tThe last date for claiming the input step-down is Oct twenty, aforesaid business trackers.several corporations ar claiming that they might not be able to reconcile the statements as several vendors aren't able to provide the invoices.Tax consultants are complaining that the credit is restricted on the idea of provider uploading while not giving amendment to of the eligible credits seem to be associate anti-evasion liveHowever, this suggests that companies would want to ascertain a true time reconciliation mechanism to avoid capital blockages.Tax consultants are complaining that the credit is restricted on the idea of provider uploading while not giving amendment to the remunerator to feature to details that suppliers haven't rumoredThe last date for claiming the input step-down is Oct twenty, aforesaid business trackers.several corporations ar claiming that they might not be able to reconcile the statements as several vendors aren't able to provide the invoices.to increase the date for claiming input step-down because it might lapse when the maturity date.The government's detonation announcement of dynamical company charge per unit can revive company sentiments, offer impetus to corporations to kick-start advanced set up, improve compliance and provides India aThe government's call to cut back base company tax to twenty two per cent from thirty per cent can boost net profit of Indian company and is credit positive.The announcement can offer a giant boost to business sentiment within the immediate term, with a modest play impact on consumption demand, significantly for giant price ticket things.The reduction of company charge per unit for brand new producing corporations to fifteen per cent and for existing producing corporations to twenty two per cent can provide impetusto the 'Make in India' initiative by creating the country a competitive destination for world investments.Ashok Shah, Partner, metal crowned head Associates LLP, aforesaid corporations having turnover of but Rs four hundred large integer can still be able to claim all exemptions/incentive that aroffered and pay tax at the speed of twenty five per cent.within the different, such corporations will favor to pay tax at the speed of twenty-two per cent while not claiming any exemptions or incentives.Since the gap is simply three per cent, for corporations availing tax benefit/incentive, profit could also be marginal .

The Taxation Laws (Amendment) Ordinance, 2019

The Taxation Laws (Amendment) Ordinance, 2019 amends the Income Tax Act, 1961, and the Finance (No. 2) Act, 2019. Key features of the Ordinance include: Income tax rate for domestic companies: Currently, domestic companies with annual turnover of up to Rs 400 crore pay income tax at the rate of 25%. For other domestic companies, the tax rate is 30%. The Ordinance provides domestic companies

with an option to pay income tax at the rate of 22%, provided they do not claim certain deductions under the Income Tax Act.

These include deductions provided for:

(i) newly established Special Economic Zone units,
(ii) expenditure on skill development, agriculture extension, and scientific research projects,
(iii) investment in new plant or machinery in notified backward areas,
(iv) Depreciation of new plant or machinery (in certain cases), and
(v) various provisions in the Income Tax Act (under Chapter VI-A, except the deductions provided for employment of new employees).

Tax rate for new domestic manufacturing companies:

The Ordinance provides new domestic manufacturing companies with an option to pay income tax at the rate of 15%, provided they do not claim certain deductions under the Act (as specified above). New manufacturing companies include companies which will be set up and registered after September 30, 2019, and will start manufacturing before April 1, 2023. These will not include companies:

(i) formed by splitting up or reconstruction of an existing business,
(ii) engaged in any business other than manufacturing, and
(iii) using a plant or machinery previously used in India (except under certain conditions).

Applicability of new tax rates:

Companies can choose to opt for the new tax rate (15% or 22%, whichever is applicable) starting the financial year 2019-20 (i.e. assessment year 2020-21). Once a company has exercised this option, the chosen provision will apply for all the subsequent years. Surcharge on tax payable at new rates: Currently, domestic companies with income between one crore rupees and Rs 10 crore are required to pay a 7% surcharge on tax. Those with an income of more than Rs 10 crore are required to pay a 12% surcharge on tax. The Ordinance provides that companies opting for the new tax rates (15% or 22%) are required to pay surcharge at the rate of 10% on the tax payable by them.

CONCLUSION

GST has been enforced with several challenges however within the long run once businesses get accustomed this tax structure, there are plenty of advantages that ar accumulated. Many policy interventions along side technology and innovation can still play important role in making a business-friendly atmosphere for the SMEs. Little question that GST is aimed to extend the payer base, majorly SMEs into its scope and can place a burden of compliance and associated prices to them. However within the long-term, GST can flip these SMEs additional competitive with A level enjoying field between massive enterprises and them. In fact, recently government has conjointly fashioned a special committee to appear once the problems two-faced by MSME sector in GST.As MSMEs become aware of a bigger compliance climate, an improved level of readiness and discipline in conducting business can step by step be a district of their operation. With the Government's commitment to strengthen MSMEs on all fronts together with GST, it's expected that the present challenges would be stabilised and also the business can step bystep take a positive address fulfil the goal of the state. It is urged to the business that they proactively highlight the higher than problems and acquire the relief before advent of GST as once GST is implemented; the probabilities of respite would be terribly tokenise for the arena.