

## **STIMULUS PACKAGE**

**KEY HIGHLIGHTS OF PART ECONOMIC  
STIMULUS ANNOUNCED BY FM ON  
13.05.2020**

## Key Highlights of Measures Taken By The Government Of India (GoI) On 13<sup>th</sup> May 2020 To Provide Economic Stimulus To The Economy

The Union Finance Minister addressing the nation inter alia gave a brief of **Prime Minister's Vision:**

- Special economic and comprehensive package of INR 20 lakh crores (\$ 267 billion approx.) -equivalent to 10% of India's GDP. Part measures announced on 13<sup>th</sup> May 2020. Additional measures to be announced in days to come.
- An Atmanirbhar Bharat (Self-Reliant India) Movement.
- Focus on five pillars of "Atmanirbhar Bharat" – Economy, Infrastructure, Systems, Vibrant Demography and Demand.
- Time to take local products of India to the global stage.

A brief summary of Measures announced by the GoI on 13<sup>th</sup> May 2020 are as under:

### A. DIRECT TAX MEASURES

Particulars	Measures of the Govt.	Impact
<b>Liquidity through TDS/TCS rate reduction</b>	<ul style="list-style-type: none"> <li>• The rates of TDS for non-salaried specified payments made to residents and rates of TCS for the specified receipts shall be reduced by 25% of the existing rates.</li> <li>• Payment for contract, professional fees, interest, rent, dividend, commission, brokerage, etc. shall be eligible for this reduced rate of TDS.</li> </ul>	INR 50,000 crores (\$6.67 billion approx.)

	<ul style="list-style-type: none"><li>• These reductions shall be applicable for the remaining part of the FY2020-21 i.e. from 14 May 2020 to 31<sup>st</sup> March, 2021.</li></ul>	
<b>Issue of Refunds</b>	<ul style="list-style-type: none"><li>• All pending refunds to charitable trusts and non-corporate businesses &amp; professions including proprietorship, partnership, LLP and Cooperatives shall be issued immediately</li></ul>	—
<b>Rationalizations of Due Dates</b>	<ul style="list-style-type: none"><li>• Due date of all Income Tax Returns (ITRs) for FY 2019-20 will be extended from 31<sup>st</sup> July, 2020 &amp; 31<sup>st</sup> October, 2020 to 30<sup>th</sup> November, 2020</li><li>• Due date of Tax Audit shall be extended from 30<sup>th</sup> September 2020 to 31<sup>st</sup> October 2020.</li><li>• Date of assessments being barred extended from 30<sup>th</sup> September, 2020 to 31<sup>st</sup> December 2020 and those being barred on 31<sup>st</sup> March 2021 extended to 30<sup>th</sup> September 2021.</li><li>• Period of “Vivad Se Vishwas Scheme” – Income Tax Dispute resolution Scheme for making payment without additional amount will be extended to 31<sup>st</sup> December 2020.</li></ul>	

**B. Relief to Businesses including MSMEs**

Particulars	Measures of the Govt.	Impact
<b>Collateral-free Automatic Loans</b>	<p>Emergency Credit Line from Banks and NBFCs upto 20% of entire outstanding credit as on 29.2.2020.</p> <ul style="list-style-type: none"> <li>• Borrowers with upto INR 25 crore outstanding and INR 100 crore turnover eligible.</li> <li>• Loans to have a 4 year tenor with moratorium of 12 months on Principal repayment</li> <li>• Interest to be capped</li> <li>• 100% credit guarantee cover to Banks and NBFCs on principal and interest</li> <li>• Scheme can be availed till 31<sup>st</sup> Oct 2020</li> <li>• No guarantee fee, no fresh collateral</li> <li>• 4.5 million units are expected to benefit and resume business activity and safeguard jobs.</li> </ul>	INR 3 lacs crores (\$40 billions approx.)
<b>Subordinate Debt for Stressed MSMEs</b>	<p>Govt. will facilitate provision of INR 20,000 crores (\$ 2.67 billions approx.) as subordinate debt. Key qualifying conditions are:</p> <ul style="list-style-type: none"> <li>• Applicable to functioning MSMEs which are NPA (Non-Performing assets) or are stressed assets</li> <li>• Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in their business.</li> </ul>	INR 20,000 crores (\$2.67 billions approx.)

<p><b>Equity infusion through Fund of Funds</b></p>	<ul style="list-style-type: none"> <li>• Fund of Funds (FoF) with Corpus of INR 10,000 crores (\$ 1.33 billions approx.) will be set up.</li> <li>• Equity funding of MSMEs on the basis of growth potential and viability.</li> <li>• FoF will be operated through a ‘Mother Fund’ and a few ‘Daughter Funds’</li> <li>• Will help to expand MSME size as well as capacity.</li> <li>• Will encourage MSMEs to get listed on main board of Stock Exchanges.</li> </ul>	<p>INR 50,000 crores (\$ 6.67 billions approx.)</p>
<p><b>New definition of MSMEs</b></p>	<p>To include a larger number of entities as MSMEs and to avail several regulatory and fiscal benefits, the definition of MSMEs has been modified:</p> <ul style="list-style-type: none"> <li>• Investment limit to be revised upwards</li> <li>• Additional criteria of turnover also being introduced.</li> <li>• Distinction between manufacturing and service sector to be eliminated.</li> </ul>	<p>—</p>

**Existing and Revised Definition of MSMEs**



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

  

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	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.

**Global tenders to be disallowed**

- Global tenders will be disallowed in Government procurements upto INR 200 crores (\$ 26.67 millions approx.)
- A step towards Self-Reliant India and to support Make in India.
- Necessary amendments of General Financial Rules will be effected.

INR 200 crores (\$ 26.67 millions approx.)

**Other interventions for MSMEs**

- E-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- Fintech will be adopted to enhance transaction based lending using the data generated by the e-marketplace.
- All MSME receivables from Govt. and CPSEs to be released in 45 days.

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**C. EMPLOYEE'S PROVIDENT FUND (EPF) RELATED MEASURES**

<b>Particulars</b>	<b>Measures of the Govt.</b>	<b>Impact</b>
<b>EPF Support for Business &amp; Workers extended for 3 months</b>	<ul style="list-style-type: none"> <li>• Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of 12% of employer and 12% employee contributions will be made into EPF accounts of eligible establishments by Gol.</li> <li>• This was provided earlier for salary months of March, April and May2020 and now has been further extended by 3 months to June, July and August 2020.</li> </ul>	INR 2,500 crores (\$ 333.34 millions approx.)
<b>EPF contribution reduced for Business &amp; Workers for 3 months-</b>	<ul style="list-style-type: none"> <li>• Statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months to provide liquidity support.</li> <li>• CPSEs and State PSUs will however continue to contribute 12% as employer contribution.</li> <li>• This scheme will be applicable for workers who are not eligible for 24% EPF support under "PMGKP" and its extension.</li> </ul>	INR 6,750 crores (\$ 0.9 billions approx.)



**D. LIQUIDITY MEASURES FOR NBFCs/HFCs/MFIs**

<b>Particulars</b>	<b>Measures of the Govt.</b>	<b>Impact</b>
<b>Special Liquidity Scheme for NBFCs/HFCs/MFIs</b>	<ul style="list-style-type: none"> <li>Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs.</li> <li>Securities will be fully guaranteed by Govt</li> </ul>	INR 30,000 crores (\$4 billions approx.)
<b>Partial Credit Guarantee Scheme (PCGS) 2.0 for NBFCs</b>	<ul style="list-style-type: none"> <li>Existing PCGS scheme now to be extended to cover borrowings such as primary issuance of Bonds/CPs (liability side of balance sheets) of such entities.</li> <li>First 20% loss will be borne by the Guarantor i.e. Government of India.</li> <li>AA paper and below including unrated paper eligible for investment (relevant for many MFIs)</li> </ul>	INR 45,000 crores (\$ 6 billions approx.)

**E. LIQUIDITY MEASURES FOR DISCOMs**

<b>Particulars</b>	<b>Measures of the Govt.</b>	<b>Impact</b>
<b>Liquidity injection for DISCOMs</b>	<ul style="list-style-type: none"> <li>Public Financial Corporation/rural Electrification Corporation to infuse liquidity of INR 90,000 crores (\$ 12 billions approx.) to DISCOMs against receivables.</li> <li>Loans to be given against State guarantees for exclusive purpose of discharging liabilities of DISCOMs to power generation companies.</li> </ul>	INR 90,000 crores (\$ 12 billions approx.)



- Linkage to specific activities/reforms: Digital payments facility by DISCOMs for consumers, liquidation of outstanding dues of State Governments, Plan to reduce financial and operational losses.
- Central Public Sector Generation Companies shall give rebate to DISCOMS which shall be passed on to the final consumers (industries)

**F. RELIEF TO CONTRACTORS**

<b>Particulars</b>	<b>Measures of the Govt.</b>	<b>Impact</b>
<b>Relief to Contractors</b>	<ul style="list-style-type: none"> <li>• Extension of up to 6 months (without costs to contractor) to be provided by all Central Agencies (such as Railways, Ministry of Road Transport &amp; Highways, Central Public Works Dept, etc.) to contractors for performing their obligations like completion of work, intermediate milestones etc.</li> <li>• Government agencies to release bank guarantees to the extent contracts are partially completed, to ease cash flows</li> </ul>	—

**G. RELIEF TO REAL ESTATE SECTOR**

<b>Particulars</b>	<b>Measures of the Govt.</b>	<b>Impact</b>
<b>Extension of Registration and Completion Date of</b>	Ministry of Housing and Urban Affairs will advise States/UTs and their Regulatory Authorities to the following effect:	—

**Real Estate Projects  
under RERA**

- Treat COVID-19 as an event of 'Force Majeure' under RERA.
- Extend the registration and completion date suo-moto by 6 months for all registered projects expiring on or after 25th March, 2020 without individual applications.
- Regulatory Authorities may extend this for another period of upto 3 months, if needed
- Issue fresh 'Project Registration Certificates' automatically with revised timelines.
- Extend timelines for various statutory compliances under RERA concurrently.

These measures will de-stress real estate developers and ensure completion of projects so that homebuyers are able to get delivery of their booked houses with new timelines.

**For details, please refer the link below to Press release of Ministry of Finance dated 13<sup>th</sup> May 2020:**

[Click Here](#)

**DISCLAIMER:**

*The information contained herein is in summary form based on Press release dated 13<sup>th</sup> May 2020. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*

**CONTACT US:**

**Head Office**

57 H, Connaught Circus,  
New Delhi – 110001, India  
Phones: 011-2332 1418/2359

**Branch Offices**

C-9, Defence Colony,  
New Delhi – 110024, India  
Phones: 011-2464 5894

C-100, Defence Colony,  
New Delhi – 110024, India  
Phones: 011-2433 3253 / 3254

C-109, Defence Colony,  
New Delhi – 110024, India  
Phones: 011-2464 5895 / 5896

D-203, Defence Colony,  
New Delhi – 110024, India  
Phones: 011-2464 5897

D-295, Defence Colony,  
New Delhi – 110024, India  
Phones: 011-2464 5891 / 5892

Website: [Dewan P.N Chopra & Co](#)

Connect with us at:

