

MSME Update

**Classification of MSMEs and
Procedure for MSME
Registration Notified by
Ministry**



Classification and Procedure for Registration of MSMEs

Ministry of Micro, Small and Medium Enterprises (“Ministry of MSME”) vide Notification dated 26th June 2020 (hereinafter referred as said Notification) notified certain criteria for classifying the enterprises as micro, small and medium enterprises and specifies the form and procedure for Udyam Registration. The said notification will be effective from 01st July 2020. The said Notification supersedes earlier notification(s) issued by Ministry of MSMEs dated 01st June 2020, 30th June 2017, 01st November 2013 and 05th October 2006.

A. Criteria for Classification of Enterprises

The said Notification specifies criteria for classification as micro, small or medium enterprises based on investment in Plant & Machinery or Equipments and turnover of Enterprises as under:

Enterprise Type	Investment in Plant & Machinery or Equipments does not exceed	Turnover does not exceed
Micro	INR 1 Crore	INR 5 Crore
Small	INR 10 Crore	INR 50 Crore
Medium	INR 50 Crore	INR 250 Crore

B. Calculation of investment in plant and machinery or equipment

1. **For Existing Enterprises:** Calculation of investment in plant and machinery or equipment will be **linked to the Income Tax Return (ITR)** of the previous years filed under the Income Tax Act, 1961 (IT Act).
2. **For New Enterprises:** In case of **new enterprise**, where no prior ITR is available, the investment will be based on **self-declaration of the promoter** of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
3. **Definition of Plant and Machinery:** The **expression “plant and machinery or equipment”** shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under IT Act and **shall include all tangible assets (other than land and building, furniture and fittings)**.
4. The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
5. The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the MSME Act shall be excluded from the calculation of the amount of investment in plant and machinery.

C. Calculation of Turnover

1. **Export Turnover to be excluded:** Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
2. Information as regards **turnover and exports turnover** for an enterprise shall be linked to IT Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
3. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

D. Re-Registration of existing enterprises registered under UAM or EM Part-II

1. All existing enterprises registered under EM Part-II or UAM shall **register again** on the Udyam Registration portal on or after the 1st day of July, 2020.
2. All enterprises registered till 30th June, 2020, shall be **re-classified** in accordance with this notification.
3. The **existing enterprises** registered prior to 30th June, 2020, shall **continue to be valid only for a period up to the 31st day of March, 2021.**

4. An enterprise registered with any other organisation under the Ministry of Micro, Small and Medium Enterprises shall register itself under Udyam Registration.

Some other clarification issued by Ministry of MSME in the said Notification are as under:

Nature of Clarification	Explanation
<p>Composite criteria of investment and turnover for classification</p>	<ul style="list-style-type: none"> - If an enterprise crosses ceiling limits specified for its present category in either criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category. - However, no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover. - All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and aggregate values of turnover and investment figures for the Entire enterprise shall be considered for deciding the category for the enterprise.
<p>How to become an MSME</p>	<ul style="list-style-type: none"> - File Udyam Registration online in the Udyam Registration portal based on self-declaration. - Permanent identity number known as “Udayam Registration Number” will be assigned on registration.

	<ul style="list-style-type: none"> - E-certificate namely “Udayam Registration Certificate” on completion of registration process.
<p>Registration process</p>	<ul style="list-style-type: none"> - Form for registration shall be as provided in the Udyam Registration portal. - No fee for filing Udyam Registration - Aadhaar number of the following is required for Udyam Registration: <ul style="list-style-type: none"> ○ Proprietor in the case of a proprietorship firm; ○ Managing partner in the case of a partnership firm; ○ Karta in the case of a Hindu Undivided Family (HUF) - In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number. - In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis. - No enterprise shall file more than one Udyam Registration. However, any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.

	<ul style="list-style-type: none"> - Misrepresentation or attempt to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable for penalty specified under section 27 of MSME Act.
<p>Updation of information and transition period in classification</p>	<ul style="list-style-type: none"> - An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on self-declaration basis. - Failure to update the relevant information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status. - Based on the information furnished or gathered from Government's sources including ITR or GST return, the classification of the enterprise will be updated. - In case of change in the category of an enterprise, a communication will be sent to the enterprise about change in status. - In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.

	<ul style="list-style-type: none">- In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.
<p>Facilitation and grievance redressal of enterprises</p>	<ul style="list-style-type: none">- The Champions Control Rooms functioning in various institutions and offices of the Ministry of MSMEs including the Development Institutes (MSME-DI) shall act as Single Window Systems for facilitating the registration process and further handholding the micro, small and medium enterprises in all possible manner.- The District Industries Centres (DICs) will also act as Single Window facilitation Systems in their Districts.

For details to Notification of Ministry of Micro, Small and Medium Enterprises dated 26th June 2020: [Click Here](#)

DISCLAIMER:

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