

MICRO, SMALL AND MEDIUM ENTERPRISES
Essential features & New Process of Registration
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MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES
NOTIFICATION No. S.O. 2119(E), Becoming a Micro, Small or
Medium Enterprise

After the spread of pandemic 'COVID-19', GOI has announced many relief packages for MSME sector to boost industry as well as economy of the country. Government initiatives include ease of doing business, Digital India, start-ups, easy loans, Make in India, subsidies, moratorium for loans, reduced rate of interest, simple tax compliances & transparency in working to make 'Aatam Nirbhar Bharat'. Govt is also working on several initiatives, such as preparation of huge land pools, to attract potential investors to India amid the corona virus-triggered turbulence. Govt has re-defined MSME law & relaxed many provisions accordingly so that many enterprises can avail benefits available, including those which were earlier deprived off. Govt has introduced concept of 'Udyam Registration' w.e.f. 01/07/2020 for existing registered under 'EM-II' & 'Udyog Aadhar Memorandum- UAM' as well as new MSME enterprises. Let us study about *Udyam Registration Number* in detail.

1. Any person who intends to establish a micro small or medium enterprise may file UDYAM registration Online in the Udyam Registration Portal based on Self Declaration.
2. On Registration, an enterprise will be assigned a Permanent Identity Number to be known as Udyam Registration Number
An E- Certificate, namely, "Udyam Registration Certificate" shall be issued on completion of the registration process.

3. Classification of Enterprises

Type	Investment		Turnover
	Min	Max	Min
Micro	N.A.	1 Crore Rupees	Does not Exceed 5 Crore Rupees
Small	>1 Crore Rupees	10 Crore Rupees	Does not Exceed 50 Crore Rupees
Medium	> 10 Crore Rupees	50 Crore Rupees	Does not Exceed 250 Crore Rupees

4. Composite Criteria applies

A Composite Criterion of investment and turnover shall apply for Classification of an enterprise as micro, small or medium

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 turnover and investment figures for all such entities shall be seen together and only the aggregate values will be considered for deciding the category as a micro, small or medium enterprise.

if an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category.

4.1. Example of Composite Criteria

Turnover	Investment	Category
5 Crore	1 Crore	Micro
50 Crore	10 Crore	Small
250 Crore	50 Crore	Medium
5 Crore	10 Crore	Small
50 Crore	50 Crore	Medium

5. Calculation of Investment in Plant & Machinery or Equipment

- 5.1. The 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.
- 5.2. In case of a 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.
- 5.3. The expression –plant, and machinery or equipment of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (**other than land and building, furniture and fittings**).
- 5.4. 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. The cost of certain items specified in the *Explanation I* to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.
6. Further, through a notification dated 5th October, 2006, the following items shall be excluded while calculating the investment in plant and machinery;
 - 6.1. equipment such as tools, jigs, dyes, moulds and spare parts for maintenance and the cost of consumables stores;
 - 6.2. installation of plant and machinery;
 - 6.3. research and development equipment and pollution controlled equipment
 - 6.4. power generation set and extra transformer installed by the enterprise as per regulations of the State Electricity Board;
 - 6.5. bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;

- 6.6. procurement or installation of cables, wiring, bus bars, electrical control panels (not mounded on individual machines), oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant and machinery or for safety measures;
- 6.7. gas producers plants;
- 6.8. transportation charges (excluding sales-tax or value-added tax and excise duty) for indigenous machinery from the place of the manufacture to the site of the enterprise;
- 6.9. charges paid for technical know-how for erection of plant and machinery;
- 6.10. such storage tanks which store raw material and finished product and are not linked with the manufacturing process; and
- 6.11. fire-fighting equipment.

This notification has been issued in the supersession of the notification issued on 5th October, 2006 and since this notification provides that:-

- 6.12. “The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.”
- 6.13. And explanation itself provides that all those prescribed in the notification issued in this regard will also be exempted, hence, all the above investment in plant and machinery will not be considered while calculating the investment.

7. Calculation of Turnover

- 7.1. Export of Goods/Services will be Excluded from the Calculation of Turnover Purpose.
- 7.2. Information as regards Turnover and Exports turnover for an enterprise will be Linked to Income Tax Act or CGST Act or GSTIN.

7.3. The Turnover of Such Enterprise which Doesn't have PAN will be considered on Self-declaration Basis up to 31st March 2021, thereafter PAN and GSTIN are Compulsory.

8. Registration Process

9. Go to Udyam Registration Portal->

Status of Firm	Document	Of Whom
Proprietorship	Aadhaar Card	Proprietor
Partnership	Aadhaar Card	Managing Partner
HUF	Aadhaar Card	Karta
Company/LLP/Co-Operative Society/Society/Trust	PAN & GSTIN	Aadhaar Card of its Authorised Signatory

10. **No enterprise shall file more than one Udyam Registration:**

10.1. Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration

10.2. Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updating process shall be liable to such penalty as specified under section 27 of the Act.

11. Registration of Existing Enterprises

11.1. All Existing Enterprises Shall Register Again on the Udyam Registration Portal on or after the 1st day of July 2020

11.2. All Enterprises shall be reclassified as per New Notification

11.3. Existing Enterprises registered before 30th June 2020 shall continue to be valid for a period up to 31st March 2021.

11.4. Any Enterprise which is registered with any other Organisation under MSME Shall register itself under Udyam Registration.

11.5. There shall be Nil Fees for Registration

12. Updation of Registration and Transition Period in Classification

- 12.1. An enterprise having Udyam Registration shall update including the details of GST and ITR for the previous Financial Year and such other info as per self- declaration Basis.
- 12.2. Failure on Updating info will lead to suspension of its Status
- 12.3. Based on Info gathered from Government sources like IT Department and GST department, the classification of enterprise will be updated.
- 12.4. Any Graduation (from lower to higher), Reverse Graduation (Higher to Lower) of enterprise, a communication will be sent to the enterprise about the change of status.
- 12.5. If any upward change in terms of investment/ Turnover or both, and consequent reclassification an enterprise will maintain its prevailing status till the expiry of one year from the close of the year of operation.
- 12.6. In case of reverse graduation of an enterprise(Higher to Lower), the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit to the changed status only with effect from 1st April of the financial year following the year in which such change takes place.

13. Facilities and grievance redressal of enterprise

- 13.1. Champions Control Rooms functioning in MSME's including the Development institute shall act as Single Window Systems for the facilitation of Registration Process.
- 13.2. District industries centers will act as Single Window Facilitation systems.
- 13.3. Any person unable to file the Udyam Registration for any reason including lack of Aadhaar Number may approach anyone of the Single Window systems for Udyam registration purposes
- 13.4. In case of any discrepancy or complaint, the General Manager of the District Industries Centre of the concerned District shall undertake an inquiry for verification of the details of Udyam Registration submitted by the enterprise and thereafter forward the matter with

necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after allowing presenting its case and based on the findings, may amend the details or recommend to the Ministry of Micro, Small or Medium Enterprises, Government of India, for cancellation of the Udyam Registration Certificate.

The Government has substantially increased the threshold limit and streamlined the process for taking registration. Eligible enterprises shall consider getting itself registration under relevant category for obtaining various benefit included, but not limited to, quick realisation of sale consideration. It is the fact that Industries and their auditors takes MSME outstanding very seriously and make all endeavours to clear their dues within time.

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