

BENEFITS AND EXEMPTIONS PROVIDED BY THE GOVERNMENT OF INDIA UNDER ATMANIRBHAR BHARAT SCHEME

Amid the global crisis that COVID-19 has posed, the economy has been to a lot of leaps and bounces. The GDP growth rate dipped to as low as 1.2% for the financial year 2020 – 2021. In an attempt to stabilize the Indian economy alongside safeguarding the interests of the needy, the Minister of Finance, Nirmala Sitaraman laid down the plan for Atmanirbhar Bharat Abhiyan or Self Reliant India movement (“**Atmanirbhar Bharat Scheme**”). The detailed breakup of the Atmanirbhar Bharat Scheme came a day after Prime Minister Narendra Modi announced a social and economic comprehensive package of INR 20 lakh crore to curb the current economic situation of the nation. This package will cater the needs of various sections including but not limited to cottage industry, MSME’s, laborers, industries etc. The 5 pillars of the Atmanirbhar Bharat Scheme will be Economy, Infrastructure, System, Vibrant Demography and Demand. These reforms are efforts to make the nation self-reliance and independent. Some of the key relaxations and benefits announced in the speech of the Finance Minister are as follows:

1. Pradhan Mantri Garib Kalyan Package

This package is introduced to provide relief package for the poor to help them fight the global crises caused due to COVID-19. The reliefs provided are as follows:

- Insurance cover of INR 50 Lakh per health worker to be provided.
- Women Jan Dhan account holders to get INR 500 per month for next 3 months.
- MNREGA wage increased from INR 182 per day to INR 202 per day.
- Financial support of INR 1,000 will be extended to the poor senior citizen, poor widows and poor Divyang and of INR 2000 for farmers under PM-KISAN.
- Building and Construction Workers Welfare Fund allowed to be used to provide relief to workers.
- 24% of monthly wages to be credited into provident fund accounts for next three months for wage earners below INR



Rudra Srivastava

Partner

E: rudra@singhania.in



Aman Gupta

Associate

E: aman@singhania.in

- 15,000 per month in organizations having less than 100 workers.
- Workers registered under Employee Provident Fund (“**EPF**”) will get non-refundable advance of 75% of the amount or three months of the wages, whichever is lower, from their accounts.
- Limit of collateral free lending will be increased from INR 10 lakhs to INR 20 lakhs for Women Self Help Groups.

2. Measures by Reserve Bank of India

The Reserve Bank of India (“**RBI**”) will implement the following measures to help in increasing the cash liquidity in the market:

- Reduction will be made in the Cash Reserve Ratio (CRR) which will result in liquidity enhancement of INR 1,37,000 crores.
- Targeted Long Term Repo Operations (“**TLTRO’s**”) of INR 1,00,050 crores will be provided for fresh deployment in investment grade corporate bonds, commercial paper, and non-convertible debentures.
- TLTRO of Rs.50,000 crore will be provided for investing in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, and MFIs.
- Banks’ limit for borrowing overnight, under the marginal standing facility (“**MSF**”), will be increased to allow the banking system to avail an additional INR 1,37,000 crores of liquidity at the reduced MSF rate.
- Special refinance facilities to be provided for NABARD, SIDBI and the NHB for a total amount of INR 50,000 crores at the policy repo rate.
- A special liquidity facility of INR 50,000 crores to be opened for mutual funds to alleviate intensified liquidity pressures.
- Moratorium of three months to be provided on payment of instalments and payment of interest on working capital facilities in respect of all term loans.
- Working Capital Financing will be eased by reducing margins.
- For loans by NBFCs to commercial real estate sector, additional time of one year has been provided for extension of the date for commencement for commercial operations (“**DCCO**”).

3. Measures for Businesses including MSME’s

The Government along with the benefits to the business institutions and MSME have, have decided to revise the definition of MSME by changing the investment limits and introduced additional criteria of turnover. The revised definition would allow a broad coverage and benefits to more number of industries. Some of the benefits are as follows:

- Collateral free automatic loans of INR 3 lakh crores will be provided for Business, including MSME’s which are badly hit by the pandemic and requires new funding to meet operational liabilities, buy raw materials and restart business. Following benefits are provided under the collateral free loan scheme:

- Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20 of entire outstanding credit as on February 29, 2020;
- Borrowers with up to INR 25 crores outstanding and INR 100 crores turnover eligible;
- Loans to have 4 year tenor with moratorium of 12 months on principal repayment;
- Interest to be capped;
- 100 % credit guarantee cover to Banks and NBFC's on principal and interest; and
- This scheme can be availed till October 2020.
- Global tender to be disallowed up to INR 200 crores to benefit the MSME's and other small institutions.
- Registration and completion date of Real Estate Projects under RERA shall be extended.
- INR 50,000 Crores liquidity to be given through reduction in TDS/TCS deductions.
- The government will facilitate provision of INR 20,000 crores as subordinate debt for functioning MSMEs which are NPA or are stressed.
- Equity infusion of INR 50,000 crores through Fund of Funds ("FoF"). The FoF with corpus of INR 10,000 crores will be set up. The FoF will be operated through a Mother Fund and few daughter funds. The fund structure will help leverage INR 50,000 crore of funds at daughter funds level. It will help to expand MSME's size as well as capacity.
- Fintech will be used to enhance transaction based lending using the data generated by the e-marketplace.
- MSME receivables from Government and CPSEs shall be released in 45 days.

4. EPF Support for Business & Workers

The Government has provided certain relaxation to both the employer as well as the employee, the relaxations are as follows:

- 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 (i.e. June, July and August) to provide more take home salary to employees and also to give relief to employers in contribution of Provident Fund. However, CPSEs and State PSUs will continue to contribute 12% as employer contribution.
- This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.

5. Relief to Contractors

The Government has taken certain steps to provide the contractors with extended timelines and better cash liquidity, the reliefs are as follows:

- An extension for a period of 6 months will be provided by all Agencies of the Central Government (like Ministry of Road Transport & Highways, Railways, Central Public Works Department, etc.) to cover commitments like completion of work in the stipulated time,

intermediate milestones as prescribed etc. and to provide extension of concession period in Public Private Partnership contracts.

- Government agencies to partially release bank guarantees, to the extent contracts are partially completed, to ease cash flows.

6. Tax related Measures

The Government has decided to release the tax refunds so that the citizens can have more cash liquidity in hand and has also provided extended timelines for certain filings and other reliefs. The reliefs provided are as follows:

- The pending income tax refunds, up to INR 5 lakhs have been issued and the last date for filing income tax return for FY 18-19 has been extended to June 30, 2020.
- Due date of all income tax return for FY 2019-20 will be extended from July 31, 2020 & October 31, 2020 to November 30, 2020 and Tax audit from September 30, 2020 to October 31, 2020.
- The filings of GST returns have been extended to end of June, 2020.
- Free withdrawal of cash without limit in the number of transaction will be allowed from ATMs of any bank for 3 months.
- Payment for Motor Vehicle and Health Insurance Policies will be allowed before May 15, 2020.
- All pending refunds to charitable trusts and non-corporate businesses professions including proprietorship, partnership, LLP and Cooperatives shall be issued immediately.
- Date of assessments getting barred on September 30, 2020 will be extended to December 31, 2020 and those getting barred on March 31, 2021 will be extended to September 30, 2021.
- Period of Vivad se Vishwas Scheme for making payment without additional amount will be extended to December 31st, 2020.

7. Measures related to Companies

The Government has provided certain relaxation to the companies with respect to the compliances, the relaxations are as follows:

- The time for holding board meetings has been extended by 60 days till September 30, 2020.
- Extraordinary General Meetings will be allowed to be conducted through video conference with e-voting or simplified voting facilities.

8. Measures related to NBFCs/HFCs/MFIs

The Government has suggested certain schemes for NBFCs/HFCs/MFIs. The scheme includes the following:

- The Government has introduced INR 30,000 crores special liquidity scheme. The investments under this scheme will be in both primary as well as secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. Under the scheme the securities will be fully guaranteed by the Government of India.

- The Government has introduced INR 45,000 crores partial credit guarantee scheme 2.0 for NBFCs/HFCs/MFIs having low credit rating and require liquidity to do fresh lending to MSMEs and Individuals. Under the scheme, first 20% loss will be borne by the Government of India.

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