

## **Budget 2020 has announced several measures which would impact the Start-ups and MSMEs:**

1. Working capital credit remains a major issue for the MSMEs. The FM proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt will be provided by banks, would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE). The corpus of the CGTMSE would accordingly be augmented by the government
2. More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI in the last year. The restructuring window was to end on March 31, 2020. Government has asked RBI to consider extending this window till March 31, 2021.
3. An app-based invoice financing loans product will be launched. This will obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.
4. An eligible startup having turnover up to Rs 25 crore is allowed deduction of 100% of its the profits for three consecutive assessment years out of seven years if the total turnover does not exceed Rs 25 crore rupees. In order to extend this benefit to larger startups, the FM proposed to increase the turnover limit from existing Rs 25 crore to Rs 100 crore. Moreover, considering the fact that in the initial years, a startup may not have adequate profit to avail this deduction, the period for claiming this deduction would be enhanced from 7 years to 10 years.
5. Currently, businesses having turnover of more than Rs one crore are required to get their books of accounts audited by an accountant. In order to reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector, the FM proposed to raise by five times the turnover threshold for audit from the existing Rs 1 crore to Rs 5 crore. However, this increased limit shall apply only to those businesses which carry out less than 5% of their business transactions in cash
6. 8000 Crore allocated for National Mission for Quantum Technology over a period of 5 years.
7. A new Export Credit Scheme shall be introduced called Nirvik.
8. Schemes shall be announced to encourage Mobile Manufacturing, Medical Device Manufacturing.
9. A National Logistics Policy will be released soon and it will clarify the roles of the Union Government, State Governments and key

regulators. It will create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive.

- 10.**The Government will make necessary amendments to the Factor Regulation Act 2011. This will enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability