

# **Compendium of MSME Policy and Incentive Schemes of Punjab**



**Committee for MSME & Start-up**  
**The Institute of Chartered Accountants of India**  
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# Abbreviations

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<b>BRAP</b>	Business Reform Action Plan
<b>CFC</b>	Common Facility Centre
<b>CFS</b>	Container Freight Station
<b>CGTMSE</b>	Credit Guarantee Fund Trust for Micro and Small Enterprises
<b>COVID-19</b>	Coronavirus-2019
<b>DC</b>	Development Commissioner
<b>DFS</b>	Department of Financial Services
<b>DIC</b>	District Industries Centre
<b>DICCI</b>	Dalit Indian Chamber of Commerce and Industry
<b>DIEPC</b>	District Enterprise and Promotion Centre
<b>DPIIT</b>	Department for Promotion of Industry and Internal Trade
<b>EBU</b>	EV Battery Manufacturing or Assembly Units
<b>EMD</b>	Ernest Money Deposit
<b>EoDB</b>	Ease of Doing Business
<b>EPB</b>	Export Promotion Bureau
<b>EPF</b>	Employee Provident Fund
<b>ESDM</b>	Electronics System Design and Manufacturing
<b>ESDP</b>	Entrepreneurship Skill Development Programme
<b>EVMU</b>	Electric Vehicle and its components manufacturing units
<b>FCI</b>	Food Corporation of India
<b>GDP</b>	Gross Domestic Product
<b>GoUP</b>	Government of Punjab
<b>IAS</b>	Indian Administrative Services
<b>ICD</b>	Inland Container Depot

<b>ILO</b>	Indian Labour Organization
<b>INR</b>	Indian Natural Rupees
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicator
<b>LDM</b>	Local District Manager
<b>MRO</b>	Maintenance, Repair and Operations
<b>MSME-DI</b>	Micro Small Medium Enterprises -Development Institutes
<b>MSME-TC</b>	Micro Small Medium Enterprises – Technology Centres
<b>MVP</b>	Minimum Viable Product
<b>NABARD</b>	National Bank of Agriculture and Rural Development
<b>NAVY</b>	Niryat Awasthapna Vikas Yojna
<b>NIC</b>	National Informatics Centre
<b>NSIC</b>	National Small Industries Corporation
<b>ODOP</b>	One District One Product
<b>PAN</b>	Personal Account Number
<b>PSU</b>	Public Sector Undertaking
<b>RCS</b>	Regional Connectivity Scheme
<b>SAMPADA</b>	Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters
<b>SC</b>	Schedules Caste
<b>SFAC</b>	Small Farmer's Agri-Business Consortium
<b>SGST</b>	State Gross service Tax
<b>SIDBI</b>	Small Industries Development Bank of India
<b>SMEVCF</b>	A Small, Medium Enterprise Venture Capital Fund
<b>SPRS</b>	Single Point Registration Scheme
<b>SPV</b>	Special Purpose Vehicle
<b>ST</b>	Scheduled Tribe

<b>SUCC</b>	Stand Up Connect Centres
<b>UP</b>	Punjab
<b>UPIIEPP</b>	Punjab Industrial Investments and Employment Promotion Policy 2017
<b>VCF</b>	Venture Capital Assistance Fund

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## 1. Introduction of MSME

The State of Punjab is known for the enterprising spirit of its people which brought about the 'green revolution' and also made Punjab a hub of small and medium enterprise. The State is now on a threshold of transition to a new culture of innovation and technology driven enterprise. Top-notch infrastructure, excellent connectivity, premium educational institutes and conducive government policy add to the strength of the state. The state has emerged as a key hub for textile-based industries including yarn, readymade garments, and hosiery. With the development of apparel parks, favourable textiles policy and other incentives for the creation of textile infrastructure, the state offers opportunities for investment. State is the source of 95% of India's Woollen Knitwear production, 85% of India's sewing machine production and 75% of India's sports goods production. The state's GSDP (in Rs.) increased at a compound annual growth rate (CAGR) of **6.78%** between 2015-16 and 2017-18.

The key strength of Punjab is its thriving eco-system of well-established Micro, Small and Medium enterprises. Punjab is home to approximately **1.78 lakh MSME units**, which are one of the most important pillars of the industrial growth and employing more than **11.66 lakh people**. Punjab's industry is dominated by small and medium enterprises. It has a rich industrial base of MSME units belonging to Auto Components, Bicycle Parts, Hosiery, Sports Goods, Agricultural Implements and many others.

The Micro Small Medium Enterprises Development (MSMED) Act 2006 enacted by Central Government seeks to facilitate the development of these enterprises, enhance their competitiveness and provides a legal framework for recognition of both manufacturing and services entities. Khadi and Village Industries development, which is being looked after by Khadi and Village Industries Board would also be supported as part of the MSME sector.

It is evident from the above information that the MSME sector serves as a backbone of manufacturing sector in Punjab. In terms of attracting investment, the 'focus sectors' of the department include pharmaceuticals, agriculture and food processing, education and hydropower, among others. But, due to increased competition, environmental regulations, requirement of technology upgradation and infrastructure requirements, MSMEs are struggling to see the growth and development in the state.

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Classification of enterprises. As per new classification criteria of manufacturing and service units notified on 26.06.2020, an enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely:

- i. A micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- ii. A small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
- iii. A medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Details of total Number of MSME units Registered in State of Punjab up to 2020

Category	No. of Units
Micro Scale Enterprises	150653
Small Scale Enterprises	26522
Medium Scale Enterprises	830
<b>Total</b>	<b>178005</b>

## 2. Entrepreneurship Development and the MSME Sector in Specific state

An entrepreneur is a catalyst for economic development, a change agent with vision and creativity. The development led by entrepreneurship attracts the possibility of new products, services and organizational forms, but it also enables a process of personal, economic, social and cultural value creation which fosters new approaches to economic development and its evaluation. Entrepreneurship plays a significant role in shaping the level of economic development, an urgent of developing countries like India, wherein the share of youth is quite large and capability of the employment sector, limited. Entrepreneur development is the process of improving the skills and knowledge of entrepreneurs and enhancing the capacity to develop, manage and organise a business venture by considering the risks involved in it.

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Potential entrepreneurship development requires to be supported by a business ecosystem that is conducive to its emergence, easy finance, expertise, infrastructure, skills and a high level of motivation for change.

India initiated its efforts in this direction through the National Skills Development Policy, 2009, and later, the National Policy for Skill Development and Entrepreneurship in 2015. Wherever possible the government has directed its offices and other public sector undertakings to support new Start Ups and MSMEs by giving priority to purchase their products. All these efforts are bearing fruit because the government of India has focused on infrastructural development. E.g., Construction of highways, dams, increasing internet connectivity etc. The government of India has recently introduced schemes like Make in India, Start-up India, Skill India and Digital India which have been started keeping in view the need to reduce migration of Indian skilled and unskilled labour overseas and give a booster for employment generation.

Though many initiatives have been undertaken, institutional reforms have fallen behind leaving a yawning gap between good intentions and poor practice. This is a result of dissonance in the central and state governments initiatives which have been implemented in a segmented and piecemeal approach not catering to the end-to-end requirements in which a business operates. E.g., the focus has been mainly on creating physical infrastructure while productivity upgradation through soft intervention has limited push. There is a greater need for R&D funding, labour market reforms, the commercialization of traditional knowledge, integration of rural academic institutes, MSMEs and industry for innovation, infrastructure development in rural areas, simplifying the business procedure, etc.

**Punjab ranked 19th in India for its Ease of Doing Business (EoDB)**, one notch higher than the 20th rank the state got in 2017-18. This was a result of implementation of some reforms suggested by the Department for Promotion of Industry and Internal Trade (DPIIT) including and not limited to labour regulation, online single window, access to information & transparency, land administration, construction permit, settlement of commercial disputes, and inspection enablers.

Currently, there is scope for revamping the ongoing entrepreneurship development initiatives in the state to make it more holistic and comprehensive. There are differential development needs of MSMEs based

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on size and scale of operations, hence the initiatives can be suitably modified to offer differential packages. As a strategy, there is a need to adopt a differential development approach for varied business models. Larger complex businesses require multiple long-term interventions executed in parallel while addressing the needs of different segments while a more focused and specific out-come oriented intervention is more apt for smaller businesses. The focus could also be firmly placed on achieving systemic change in selected sectors. This would mean investing in the long-term build-up of local capacities for technical support and general business development services, and for developing the required institutional framework for MSME oriented research, vocational education and finance.

Similarly, there is a great scope of collaboration for central sponsored schemes of entrepreneurship development with state sponsored schemes of this nature. In the current set-up, the central schemes have more focus more on the components related with training and skill development of the potential entrepreneurs while some of the states are focussing on critical aspects like access to finance, market linkages etc. Each of these programs have its own strength and weaknesses. The state schemes have a definite advantage in terms of greater outreach, better mobilization mechanism and close monitoring capabilities while central schemes have better financial strength and regularity of operations. If synergy could be established in execution of state and central schemes for entrepreneurship development, it would not only create a comprehensive offer for potential entrepreneurs but also be more impactful in outcomes across all aspects business development like financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhanced competitiveness and market assistance to MSMEs.

Looking into the above, there is a need for to synergize various initiatives by the government and offerings by private players in order to provide end to end value chain needs of a business. This entails providing handholding support in the form of registration help, information dissemination and advisory services to MSMEs in the establishment, development and promotion of services and products developed by them.

### **Key features of the Integrated Business Development:**

- a. Integration of various government schemes-** State schemes from various ministries which offer sector specific interventions and other

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complementary support like Punjab Chief Minister Youth Self Employment Scheme, Scheme for Promoting Establishment of Private Industrial Parks 2017, One District One Product: Margin Money Scheme, should be bundled with national level schemes like StartUp India, StandUP India, Single Point Registration Scheme (SPRS) and Entrepreneurship Skill Development Plan to provide a holistic business development. For example: ESDP intends to strengthen the capability of entrepreneurs for developing successful business ventures, by conducting training programmes. There are 4 modules for aspiring and existing entrepreneurs. Due to limited geographic reach and resources with MSME-Development Institutes (MSME-DIs) and MSME Technology Centres (TCs), the offtake of the scheme has not been very encouraging during last 5 years. To combat this, Ministry of Micro Small and Medium Enterprises (MoMSME) has allowed more central and state government organizations to work as Implementation Agencies in order to broaden the outreach.

A brief understanding about the benefit of these schemes is provided below:

### ► Central Schemes

- **StartUP India:** The primary objective of this scheme is promotion of start-ups, generation of employment, and wealth creation through simplification and handholding of applications, Funding & Incentives and Incubation & Industry- Academia Partnerships.<sup>3</sup>
- **StandUp India:** Stand Up India Scheme facilitate bank loans between 10 lakh and 1 crore to at least one scheduled caste (SC) or Scheduled Tribe, borrower and at least one woman per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector.
- **SPRS** is a developmental scheme of National Small Industries Corporation (NSIC) to assist the MSEs in India by exempting them from Earnest Money Deposit (EMD) in Government Purchases
- **ESDP:** The scheme ensures promotion of new enterprises, capacity building of the existing MSMEs and inculcating

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entrepreneurial culture in the country through the building and promotion of training aids, equipment and other related infrastructure to enhance the quality of training activities in the EDCs, MSME DIs and TCs and training activities at HQ level.

### ▶ **State Schemes**

- Scheme for Promoting Establishment of Private Industrial Parks 2017: This scheme provides interest subsidy reimbursement for industrial parks/estates and Agro Parks developed by the private sector and a 100% exemption/reimbursement to developers and 50% exemption to individual buyers (first) on stamp duty.
- ODOP - Margin Money Scheme: This scheme benefits with not whole but a margin of the project cost. The applicants receive it in the form of subsidy to set up the project.

**b. Provide integrated business development services-** With integrated business development services approach, MSMEs should be hand-held in their business starting from registration to promotion of their product/service in a competitive landscape. This would entail handholding support in the form of registration help, information dissemination and advisory services across the following 6 pillars:

- ▶ Leveraging sector specific government schemes
- ▶ Access to Market to identify and evaluate a products export potential
- ▶ Human Resource Development for capacity building among local artisans
- ▶ Technical Advisory for Product Development & Design
- ▶ International Business Opportunities through Quality Control
- ▶ Access to Finance for Working Capital Support

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Figure 2: Pillars of entrepreneurial support

- c. **Networking of Entrepreneurs:** There is currently limited and individual driven networking channels functional for entrepreneurs. Only few efforts have been observed towards development of a formal set-up for promoting inter-sector interactions, a lack of which limits the learning opportunities and fast adoption of best working practices. The integrated business development approach should focus on technology driven platforms for promoting inter- sector communications and transactions.
- d. **Single-Window Platform:** An absence of a comprehensive single window platform is one of the key missing enablers of the Punjab entrepreneurial ecosystem. While the launch of champions portal by Nivesh Mitra an attempt in the right direction, the effective usage of the portal and providing professionally managed services for MSMEs at the state level is the true target. The impact of the portal can be enhanced by providing access to e-learnings, guides to set-up businesses in is similar sectors, online applications and follow-up for scheme applications, success stories, access to finance, market & technology etc.

With the help of this approach, potential entrepreneurs and youth will get better understanding, knowledge and skill set required to undertake the operations of their business in more efficient manner.

### 3. Incentive Schemes for Micro, Small and Medium Enterprises

The state of Punjab has been leading in the export of Auto Components, Bicycle Parts, Hosiery, Sports Goods, Agricultural Implements and many others. It is famous for the traditional products manufactured by local Micro, Small and Medium Enterprises (MSMEs) in the state and possess

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immense potential for generating employment. Key growth drivers in the state include:

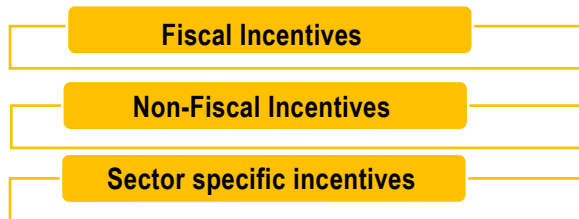
- ▶ **Indigenisation:** With the advent of Make in India and enhanced focus on locally manufactured products, there is huge opportunity for investments and outputs by large players and their MSME vendors to indigenise and/or enable import substitution particularly adapting to research and development, innovation and global technologies.
- ▶ **Government procurement policy and procurement by large domestic and foreign industries:** A favourable procurement policy complemented by the huge industrial base in the state supports MSME vendors to grow their business in the state. Currently, Punjab has mandated **25%** procurement by the state government departments and public sector undertakings (PSU) from the state MSMEs. Besides this, including **4%** from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public Sector Enterprises (CPSEs, which are operated on eco-friendly standards and do not harm environment.

To encourage indigenous and specialized products in the state, the Punjab government has launched

Policies and incentive schemes. The following section will give a brief of the schemes available to entrepreneurs in Punjab.

### Policies/Incentives

Govt. of Punjab had given number of incentives/facilities for developing micro & small-scale enterprises in the state. The incentives are categorised into fiscal, non-fiscal incentives and Sector specific incentives.



#### 1. Fiscal Incentives:

Following are the features of fiscal incentives:

- Access to Finance:** MSME Sector has been identified as a Strategic



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Pillar in the Punjab Industrial & Business Development Policy, 2017 Government is working actively with financial institutions to facilitate easy access to finance:

- ▶ **Investment subsidy by way of reimbursement of net SGST on intra-State sale:** Reimbursement of 100% of net SGST for 7 years from the date of commercial production with a cap of 100% of FCI.
- ▶ **Interest Subsidy on term loan in Border Districts and Kandi Area:** Interest subsidy @ 5% pa only in Border Districts and Kandi Area subject to maximum of Rs. 10 lakh per year for 3 years
- ▶ **Interest Subsidy on term loan to SC Entrepreneur/ Women Entrepreneur:** Interest subsidy @ 5% pa only to SC Entrepreneur/ Women Entrepreneur subject to maximum of Rs. 10 lakh per year for 3 years
- ▶ **Additional State Support of interest subsidy under Credit Linked Capital Subsidy Scheme (CLCSS) of Ministry of MSME, GOI:** Interest subsidy of 5% subject to maximum of 5 lakh per year for a period of 3 years and shall not exceed amount of net SGST paid during the relevant year to such units eligible under CLCSS scheme.
- ▶ **Additional State Support of reimbursement of guarantee fee charged under (CGTMSE) Scheme:** 100% of guarantee fee to be reimbursed subject to maximum of Rs. 1 lac.
- ▶ **Financial assistance to SMEs for 'Emerge' exchange platform set up by NSE:**
  - 10% of the cost of Public Issue expenses, subject to maximum of Rs.2.50 lakh for registration of National Stock Exchange.
  - Direct subscription up to 10% of the Public Issue to be provided out of corpus to be created jointly with SIDBI, Nationalized banks & the State Government subject to a maximum of Rs. 10 lakhs

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### b. Access to Infrastructure:

- ▶ **Exemption from Electricity Duty:** 100% exemption for 7 years
- ▶ **Exemption/Reimbursement from Stamp Duty:** 100% exemption/reimbursement from stamp duty for purchase or lease of land and building.

### c. Access to Technology:

- ▶ **Assistance for Technology Acquisition:** 50% of the cost subject to maximum of Rs. 25 lakhs for adopting technology from a recognized National Institute
- ▶ **Additional support to ZED scheme of GOI:** Reimbursement of 50% of expenses subject to maximum of Rs. 5 lakhs incurred on plant and machinery/testing equipment for obtaining at least silver category status under ZED scheme.
- ▶ **Reimbursement of expenses incurred for Energy Audit/ Water Audit/ Safety Audit:** 75% subject to maximum of Rs. 2 lakhs for energy audit and maximum of Rs. 1 lac each for water audit and Safety Audit
- ▶ **Assistance for Environmental Compliance:** 50% financial support subject to max of Rs. 25 lakhs on capital cost for setting up of Chapter 10 - Fiscal Incentives Industrial and Business Development Policy 2017 50 effluent treatment plant and for installation of Air Pollution Control Devices

### d. Access to Market

- ▶ **Reimbursement of expenses incurred for patent registration:** 75% of the expenses subject to 10 lakhs for domestic patent and 20 lakhs for international patent.
- ▶ **Additional Support for Performance and Credit Rating Scheme of Ministry of MSME:** Reimbursement of 25% of the fee subject to maximum of 10 thousand.
- ▶ **Reimbursement of expenses incurred on quality certifications:** 100% subject to maximum of Rs.10 lakh.
- ▶ **Design Clinic Scheme:** Reimbursement of the contribution of industries of Rs. 1 lac per program for design awareness program by National Institute of Design, Ahmedabad

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- ▶ **Vendor Development Program:** Assistance of INR 5 Cr to MSME Punjab for assisting the industry in organizing Vendor Development Programmes, Buyer – Seller meets, Reverse Buyer-Seller meets.
- ▶ **Annual State Awards to MSME, SC, Women and Exporters:** Annual award of Rs. 3 lakh per unit for excellence in productivity, quality, export for each category of enterprise
- ▶ **Marketing Support:** Assistance to MSME for showcasing their products at local, national and international event:
  - @50% of total rent limiting to ₹10 lakh for participation of minimum 5 units in Punjab Pavilion in International Trade Fairs abroad
  - @25% of total rent limiting to ₹ 3 lakhs for Domestic Conferences and Trade Fairs.
  - Nil for Pavilion at Progressive Punjab Events and Conferences
- ▶ **Freight Assistance to Export Oriented Units:** 1% of FOB value or actual freight paid from the place of Manufacture to the place of shipment, whichever is less subject to maximum of Rs 20 Lac per annum.

### 2. Non-Fiscal Incentives:

It is as good as fiscal incentives as it reduces either term of investment or cost of operation. Following are the key features of Non fiscal policy:

- a. All Industrial Parks including **Textile, Food, IT, Electronics** etc. approved by the State or Central Government shall be **exempted** from the provisions of **Punjab Apartment and Property Regulation Act (PAPRA) 1995**.
- b. Zoning regulations of industrial areas will be liberalized to provide units in apparel and made- ups sector higher FAR.
- c. Following relaxation will be provided to **IT/ITES service industry units**:
  - 40% of mechanical parking is allowed.
  - Units will have permissible FAR of 1:3 of gross area of the project.

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- 5% of total built up area under industrial use shall be permissible for residential use of the Staff.

### **d. Department of Tourism:**

- Heritage hotels situated on narrow roads in urban areas which arrange for a dedicated alternative parking on a 40/60 feet wide road and provide for the park and ride system from hotel to parking place, shall be permitted to operate.
- The State will declare Old City area in prominent cities like Amritsar, Ludhiana, Jalandhar, Patiala etc. where area is not available for parking vehicles. Hotel constructions which are of 20 years or above shall be exempted from parking places.

### **e. Department of Retail Service Industry:**

- Allowed FAR of 1:3 in the state.
- Allowed higher ground coverage up to 70%
- The retail project will be allowed to set up the Recreation Ground (RG) area for the customers.
- Allowed larger number of car parks in retail development without FAR implications.
- The restriction on building heights will be relaxed subject to air safety norms.

### **f. Shifting of Industries from residential areas or another non-conforming zone:**

A large number of industrial units are currently operating in the areas earmarked for residential usage or other non-conforming zones as per approved Master Plan and they were required to shift their units within stipulated time limit from such areas. The State will encourage these units to move to the approved industrial zones/industrial estates by providing following:

- The existing site will be allowed for permissible usage as per master plan without any CLU charges
- Shifting of electricity connection without any additional charges.
- Shifting of municipal services without any additional charges.

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- No CLU, EDC or License Fee on the new industrial site.
- After shifting to new location, type of such industry may change

### **g. Department of Labour:**

The State will allow women employees to work in night shifts subject to the employer providing the necessary security and other requisite arrangements for its women employees. In order to promote the retail industry in Punjab, and generate employment opportunities for local youth, the State will provide following relaxation:

- Retail enterprises shall be allowed to stay open 365 days a year provided employees are given compulsory weekly offs without any deduction of benefits.
- Retail enterprises and warehouses shall be allowed to stay open 24\*7 in 3 shifts, women employees shall be allowed to work in night shifts till 11 pm, provided the employer provides necessary security and arranges to ensure women employees reach home safe.

### **h. Department of Science and Technology/Punjab Pollution Control Board:**

- Punjab Pollution Control Board will give exemption from Grant of Consent to Establish/Consent to Operate for Green category Industries.
- Punjab Pollution Control Board will allow Auto- Renewal of Consent to Establish and enhancement of validity period.
- Punjab Pollution Control Board will treat cutting and sorting as Green Industry.
- IT Industry will be given exemption from clearance from PPCB.

### **i. Department of Transport:**

The State would grant exemption from motor vehicle tax on buses plied by the industry for its employees.

### **j. Department of Food and Civil Supplies:**

Food and Grocery business retail (only perishable goods) shall be included under "Essential Services" and Stocking limits for essential commodities under Essential Commodities Act will be reviewed for retail enterprises.

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### k. Department of Industries & Commerce/Punjab Small Industries & Export Corporation:

Duly identified MSME service activities shall be permitted in the zoning regulations of industrial parks and estates and zoning regulations will be liberalized to provide for flatted factories.

### 3. Sector Specific Incentives:

The State has strong presence in many sectors and the policy aims to consolidate and provide further impetus to these sectors for growth. Apart from focusing on the State's traditional strength, the State would focus on some of the emerging manufacturing and service industry sectors, which have potential for the State. Following are the sector specific incentives.

#### a. HIGH TECH Manufacturing

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
- **Capital Subsidy to IT/ITES units**- 50 % of FCI subject to ceiling of INR2.5 Cr. per unit & 100% reimbursement of all taxes and fees paid for purchase of raw material for food processing units up to 10 years for all category of units

#### b. Apparels

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax

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- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
  - **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
  - **Capital Subsidy to IT/ITES units**- 50 % of FCI subject to ceiling of INR 2.5 Cr. per unit and 5% interest subsidy for MSMEs for new/expansion/ diversification in addition to benefits under ATUF for apparel and made ups and technical textiles for 3 years subject to a maximum of 10 lakh per year.
- c. Footwear & Accessories**
- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
  - **MSME** – 5% Interest Subsidy for Border and Kandi Area
  - **MSME** – Assistance for Finance, Technology, Marketing & Exports
  - **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
  - **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
  - **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI Capital Subsidy to IT/ITES units- 50 % of FCI subject to ceiling of INR 2.5 Cr. per unit
- d. Food Processing Units**
- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
  - **MSME** – 5% Interest Subsidy for Border and Kandi Area
  - **MSME** – Assistance for Finance, Technology, Marketing & Exports
  - **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
  - **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
  - **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
  - **Capital Subsidy to IT/ITES units**- 50 % of FCI subject to ceiling of

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INR 2.5 Cr. per unit and 100% reimbursement of all taxes and fees paid for purchase of raw material for food processing units up to 10 years for all category of units.

### **e. Electronics**

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
- **Additional support to units under M-SIPS scheme, DEITY, GOI**- 50% top up of Capex support provided by DEITY, GOI to units setting up in notified EMCs under M-SIPS of GOI. The support shall be provided to first 10 Anchor units limited to maximum INR 10 Cr. per unit.

### **f. Aerospace and Defence**

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
- **Capital Subsidy to IT/ITES units**- 50 % of FCI subject to ceiling of INR 2.5 Cr. per unit



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### g. **Biotechnology & Pharmaceuticals**

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI

### h. **Logistics**

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI

### i. **Tourism and Hospitality**

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI 100% exemption from entertainment tax to all new

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investments in special theme parks/ amusement parks/ water parks/ adventure parks/ cinematic tourism like film institute/ film city/ film studio/ theatres/ mini-theatres etc

### j. Incubators

- **MSME** – 100% Reimbursement of net SGST, Exemption in ED, SD
- **MSME** – 5% Interest Subsidy for Border and Kandi Area
- **MSME** – Assistance for Finance, Technology, Marketing & Exports
- **Large** – 75% of net SGST, 100% Exemption in ED, SD & 50% Property Tax
- **Thrust Sector** – 100% of net SGST, 100% Exemption in ED, SD & 50% P Tax
- **Early Bird Units in New Industrial Parks** – 100% of net SGST up to 125% FCI
- **Capital Subsidy to IT/ITES units**- 50 % of FCI subject to ceiling of INR 2.5 Cr. per unit

## 4. Role of Chartered Accountants in MSME

It has been said that Chartered Accountants are the real managers of the economy. Considering Indian economy has approx. 6.3 Cr. MSMEs currently who contribute to 29% of GDP, hence CAs play major and important role in the development and promotion of MSME sector. The type of services practitioners can offer have been divided in below two categories:

**a. Non- Compliance Areas:** MSMEs market in India is very dynamic, and the regulatory environment which governs MSMEs operations is also constantly changing and, as a corollary, the demands of business advisory services are being evolved. MSMEs themselves are different in size, age, sector, location, and growth profile and are run by owners, managers with different capabilities and motivation. With the paradigm shift post COVID 19, the demand of management consultancy services has been increasing for MSMEs as they not only need guidance in terms of re- establishment or access to finance; they are looking forward to plan out strategy to sustain with business continuity plans in future. Few of such consultancy services have been outlined below:

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- i. **Preparation of Project Reports/ project Financing:** In order to take benefit of Government schemes, MSMEs or group of MSMEs are required to prepare a 'Detailed Project Report' (DPR) which outlines the business model of the project, technical specifications and most importantly financial projections of the project being undertaken. MSMEs do not have adequate knowledge and support to prepare such project reports. Chartered Accountants can come forward in this area to support MSMEs in taking up the project in accordance with government schemes and prepare their DPR which can be submitted to government for approvals.  
  
Few of the schemes of Government of Punjab (GoP) and Government of India (GOI) where MSMEs of UP are looking out for assistance are One District one Product (ODOP), SFURTI, MSE-CDP, Pradhan Mantri Formalisation of Micro food processing Enterprises (PM-FME) Scheme, Prime Minister Employment Generation Programme (PMEGP), Mukhyamantri Yuva Swavalamban Yojana (MYSY)
- ii. **Handholding MSMEs to avail benefit of schemes:** CAs can play an important role for creating awareness among stakeholders. Capacity building for the MSME is the need of the hour. However, occasional workshops and awareness events organised for MSMEs are helpful to them only to an extent, as they need continuous guidance to understand the scheme applicable for their sector/ business where benefit can be availed. Considering Chartered Accountants are reliable and trustworthy for their MSME clients and understand their business well; they can extend handholding support to MSMEs in applying for the schemes/ policy benefits and guide end to end steps involved in the process. Few examples where MSMEs need continuous support for availing govt. subsidies/ benefits can be SGST Reimbursement/ Refunds in case of exports.
- iii. **Certification for schemes:** The projects sanctioned under various schemes of government also require various certifications from MSMEs such as utilisation certificate, certificate for Net- worth and income of MSMEs etc., which can be catered by Chartered Accountants.
- iv. **Long-term Strategic Partner:** Chartered Accountants can become term strategic partners.

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They can provide sound business advice to minimize business risk. The right advice from an impartial professional can be the difference between success and failure. Chartered Accountants in public practice have the skills, knowledge and experience to improve the business practices. A Chartered Accountant can be the business partner for the long haul, continuously adding values to the business.

- v. **Business Performance Improvement/ Process Transformation:** Corporates increasingly face more complex business issues and need to rapidly change to keep pace with today's dynamic market. As competition grows and a larger number of industries head for a shakeout, improving business performance (efficiency and effectiveness) is a survival imperative. Meeting the rising expectations of key stakeholders in companies has led to a greater focus on ensuring better returns on investment. Having addressed all obvious areas of improvement, companies are now increasingly looking to develop more innovative ways to improve performance on lead- time, cost, quality and service-related parameters. Most management teams realize that developing and implementing improvement initiatives take up a significant amount of their time and efforts. By engaging Chartered Accountants as consultants, they are able to ensure that the initiative does not lose steam after the initial hype, as so often happens when the initiatives are taken up internally. Chartered Accountants can assist the management in providing the following services:
- Improving customer satisfaction.
  - Reducing process cycle cost.
  - Enhancing quality of delivered services.
- vi. **Due Diligence for implemented projects:** As government need to monitor the success of the projects sanctioned under various schemes, due diligence audit can be conducted by chartered accountants and practitioners to fulfil this requirement. The due diligence is done to assess if project is running as per compliances norms of government, funds sanctioned have been utilised in reasonable manner, etc.
- b. **Compliance related/ Statutory work areas: Practitioners have developed their multi- disciplinary skills based over and above the book-**

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keeping. MSME make use of their services to ensure compliance with various laws and regulations. Such major areas are:

- i. **Audit of accounts:** Various laws require audit of accounts to be done by Chartered Accountants, e.g., under Companies Act, Income Tax Act. Some of the MSMEs in business are incorporated under the Companies Act, 1956. Such MSMEs are required to get their accounts audited under the provisions of Companies Act, 1956. Similarly, various provisions under the Income Tax Act also require audit of financial statements particularly under section 44AB of the Income Tax Act, 1961. In the case of MSMEs, SMPs are mostly conducting such audits. Under the Income Tax Act, a number of other sections also require audit/certification of the statements by Chartered Accountant. Some of these sections are 35D, 35E, 44AD, 80I, 80IA.
- ii. **Compliance of tax laws:**
  - Income Tax: Chartered Accountants are widely perceived to be the best equipped professionals to render all types of line and service function in the area of taxation. They can actively contribute as line managers in all areas of taxation, tax planning and tax management. In fact, tax planning is becoming a highly specialized service which can be the exclusive preserve of practitioners. Outsourcing is the order of the day and practitioners are well-placed to give this essential value-addition. The tax audit has been exclusively given to Chartered Accountants where most of the Small and Medium Practitioners are involved. There are nearly two dozen certifications to be done by practitioners under the various provisions of the Income Tax Act. They can also render a useful service in verifying whether the deductions given under the provisions of Section 10A & 10B have been correctly claimed.
  - Goods and Service Tax (GST): With new regime of indirect tax, the requirement of chartered accountant professionals in day-to-day business has been increasing. CAs can serve the society by providing the services such as consultancy on the applicability and levy of Goods and Service Tax Laws, assisting in the structuring of the transactions and agreements in relation to inter-state and intra-state sales in order to minimize tax

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incidents, availment of input credits adequately. The various type of services professionals can provide are:

- Registration for GST.
- Filing of GST returns.
- Computation of GST amount.
- GST audits
- Consultancy to manage business in accordance with GST laws (viz. Invoicing, E- way Bill etc.)

**Conclusion:** Practitioners used to provide compliance and monitoring services to meet provisions of tax laws and audit requirements traditionally which were called as traditional services. To begin with, they started offering standard accountancy services. With changing times, the horizon of chartered accountant services has broadened. Hence, range of services related to noncompliance areas offered by practitioners to support wider business requirements of MSMEs is gaining demand. Accountants themselves have to update for changing type of advice and services which would be required by MSMEs. Overall, while professionals are changing their style and areas to provide services, they are now beginning to develop broad- based strategy and business consultancy practices. Hopefully, the small accounting firms and sole practitioners would soon be playing a larger role in the 'multidisciplinary' practice arena.

## **5. Relevant Links & Contacts for MSME State Specific**

### **a. NSIC**

NSIC has been working to promote, aid and foster the growth of micro, small and medium enterprises in the country. NSIC operates through countrywide network of offices and Technical Centres in the Country. In addition, NSIC has set up Training cum Incubation Centre managed by professional manpower.

- Contact Number - +91-11-26926275, 26926370
- Website – <https://www.nsic.co.in/>
- Address – NSIC Bhawan, Okhla Industrial Estate, New Delhi - 110020, India

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### **b. District Industries Centre**

District Industries Centres are managed and operated at district level to provide all the necessary support services to entrepreneurs or first-time business owners to start their own Micro Small and Medium Enterprises (MSMEs). DICs also promote Registration and Development of Industrial Cooperatives.

- Arrangements for credit facilities, machinery & equipment
- Development and expansion of industrial clusters
- Identification of suitable schemes
- Recognizing and financially supporting new entrepreneurs
- Preparation of feasibility reports
- Providing financial support to small units
- Providing raw materials

The functioning of DICs and their achievement is monitored by the Additional Chief Secretary (Industries) and Director of Industries & Commerce. Approximately, there are 75 District Industries Centres (DICs), one each of the districts of the state.

### **c. MSME-Development Institute**

MSME – DIs are a subordinate office of Development Commissioner (MSME). There are such DIs in the state of Punjab which cater to the promotional & developmental needs of the Micro, Small & Medium Enterprise Sector in districts as indicated in their jurisdiction list. The institute maintains a close liaison with the state industries department, Financial Institutions, Voluntary Organization and other agencies concerned with the development of Micro, Small and Medium Enterprises in the state of Punjab It supports the developmental efforts of the agencies by:

- Providing required information on MSME sector.
- By rendering technical consultancy and other technical inputs.
- By formal and informal interaction

### **d. Export Promotion Bureau (EPB)**

The EPB interacts with the exporters on one hand and Export Promotion

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Councils, Agencies, Export Associations, State and Central Government Bodies on the other hand. It assists exporters in export procedure, various facilities and assistance offered by the State and Central Agencies. It also ensures the follow-up of export policy matters and miscellaneous problems of exporters. State exporters are registered by Export Promotion Bureau for providing export assistance offered by the State Government. It implements Freight Rationalisation Scheme of ICDs and Air Cargo, Market Development Assistance Scheme, State Export Award Scheme etc. Besides technical and design inputs, participation in overseas fairs/exhibitions, buyer seller meet, project study on exports are also 'initiated'.

### **e. Khadi and Village Industries Commission (KVIC)**

It is an apex organisation under the MoMSME, with regard to khadi and village industries within India, which seeks to - "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.

### **f. Khadi and Village Industries Board (KVIB)**

The objective of the Khadi and Village Industries Board is to provide maximum employment opportunities and strengthen the rural economy by establishing small scale industries and low capital investment industries.