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SITHARAMAN**

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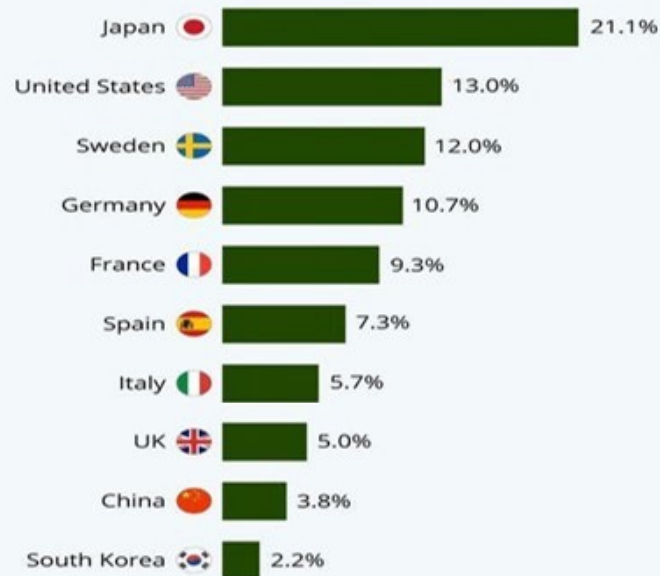


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Global Stimulus Packages Already Announced :

Global Coronavirus Stimulus Packages Compared

Financial response to the COVID-19 pandemic as a share of GDP (selected countries)*



* As of May 10, 2020
Source: Ceyhun Elgin

- Some other Countries have already announced Stimulus Packages.
- According to the IMF, the emerging market average package, so far, has been only 2.5 per cent of the GDP.
- India is going to Announce almost 10% of its GDP as Stimulus Package.
- This will make India Rank as 5th Nation in the World in terms of quantum of Stimulus Package.

Back Ground :

- As the Country battles the economic effects of the coronavirus pandemic.
- Prime Minister Narendra Modi on May 12 announced a massive Rs 20 lakh crore package.
- Package is almost 10 percent of India's gross domestic product (GDP) .
- PM Modi had said the Rs.20 lakh crore package would give strength and support to various sections of the country and those linked to economic system.
- This Rs.20 lakh crore figure, however, includes the previous Rs 1.7 lakh crore stimulus package already announced, for key sectors and steps taken by the Reserve Bank of India (RBI) since lockdown began on March 24 midnight.
- These earlier measures now together account to Rs.7.79 lakh crore of the complete package.

Back Ground (continue) :

- This package will give a new impetus to the development journey of the country in 2020 and a new direction to the self-reliant India campaign.
- In order to prove the resolve of a self-reliant India, land, labour, liquidity and laws all have been emphasised in this package.
- Mega Covid relief package to be unveiled.
- The PM had said the package would help every section including workers, farmers, middle class, industrial units and the MSME sector and will play an important role in the '**Atmanirbhar Bharat Abhiyan**' (Self-reliant India Campaign).
- The mega stimulus plan already lifted the markets, with the benchmark equity market indices on the BSE and NSE opening nearly 4 per cent higher.

Few Expectations Before Announcement :

- Credit guarantee scheme for working capital loans of micro, small and medium enterprises.
- Incentives for companies and businesses to maintain a stable workforce, especially as the migrant workers' crisis deepens.
- Expansion of direct benefit transfer (DBT) schemes.
- Possible hike in MNREGA payments.
- Accelerated disbursements under PM-KISAN Scheme.
- Expanded economic activity in Green and Orange Zones, and a gradual easing of lockdown.
- Details on the resumption of train services, possible resumption of flight services.
- Boost for sectors worst hit by the pandemic such as hospitality, tourism, travel, aviation, and auto among others.
- Separate announcements by various ministries for their particular sectors – such as NBFCs and MFs.

Certain Skeptical Questions as Underlying Current :

- How will Rs.20 lakh crore be raised ?
- How is all going to be paid for ?
- Whether New Borrowings ?
- What about all States particular problems in current situation ?
- Are there going to be new or rise in current taxes ?
- What relief to the crores of migrant workers and then to Industry ?
- Whether relief in complex Tax structure ? And would it be conditional and practical ?

Some Reality to be Kept in Mind :

- 'Atmanirbhar Bharat' policy, obsessed with local, stands the danger of becoming a misfit in the globally integrated market system. In the globally integrated world, self-reliance should mean the ability to pay for imports rather than self-defeating self-sufficiency. India emerged as the pharmacy of the world, exporting drugs worth \$20.5 billion to 170 countries in FY2020, and India's IT industry became a \$180 billion powerhouse, by exploiting the opportunities in the global markets. Therefore, we have to be careful about going vocal about local. It might work as a short-term strategy to capitalise from the emotional backlash against China; but it is unlikely to yield substantial gains in the long run.

Source : Indian Express.

Written by Dr. *Dr. VK Vijayakumar, 13 May 2020.*

Math of Rs.20 Lakh Crore :

- Package sounds big but will burn only a small hole in the government's finances.
- A large part of it, as much as Rs.8.04 lakh crore, is additional liquidity injected into the system by RBI through various measures in February, March and April.
- Add to this the Rs 1.7 lakh crore fiscal package announced by Finance Minister Nirmala Sitharaman on March 27.
- Follow the link to understand more : <https://indianexpress.com/article/explained/the-math-its-10-of-gdp-but-less-than-5-cash-outgo-pm-modi-relief-packages-6407302/>

THE MATH OF RS 20 LAKH CRORE PACKAGE

MONETARY STIMULUS

FEBRUARY 6

Liquidity injection through RBI measures: Rs 2.8 lakh crore (1.4% of GDP)

MARCH 27

Liquidity injection through RBI announcements: Rs 3.74 lakh crore (1.8% of GDP)

■ Targeted Long Term Repo Operations or TLTRO:

Rs 1,00,000 crore

■ CRR cut by 100 bp to 3% of net demand and time liabilities: Rs 1,37,000 crore

■ Accommodation under marginal standing facility hiked from 2% of Statutory Liquidity Ratio to 3%: Rs 1,37,000 crore

APRIL 17

Targeted Long Term Repo Operations 2.0: Rs 50,000 crore (0.25% of GDP)
Refinancing of Sidbi, Nabard and NHB: Rs 50,000 crore (0.25% of GDP)

APRIL 27

Special liquidity facility for mutual funds: Rs 50,000 crore (0.25% of GDP)

FISCAL STIMULUS

MARCH 27

Rs 1.7 lakh crore fiscal package announced by Finance Minister Nirmala Sitharaman (0.85% of GDP)

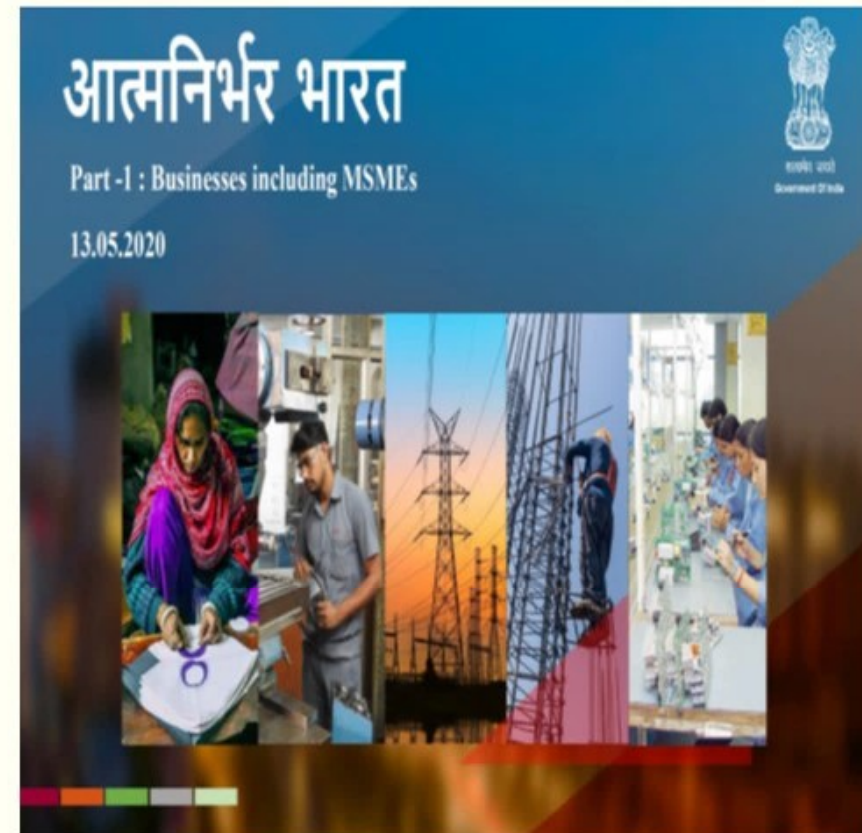
TOTAL: 4.8% of GDP or Rs 9.74 lakh crore

BALANCE: 5.2% of GDP or Rs 10.26 lakh crore

Source, Reference & Courtesy : Indian Express

Prime Minister's Vision :

- Call for Self-Reliant India Movement.
- **Five pillars** of Atmanirbhar Bharat :
 1. Economy
 2. Infrastructure
 3. System
 4. Vibrant Demography
 5. Demand
- Package to cater to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others.
- Bold reforms across sectors will drive the country's push towards self-reliance
- It is time to become Vocal for our Local Products and make them global.

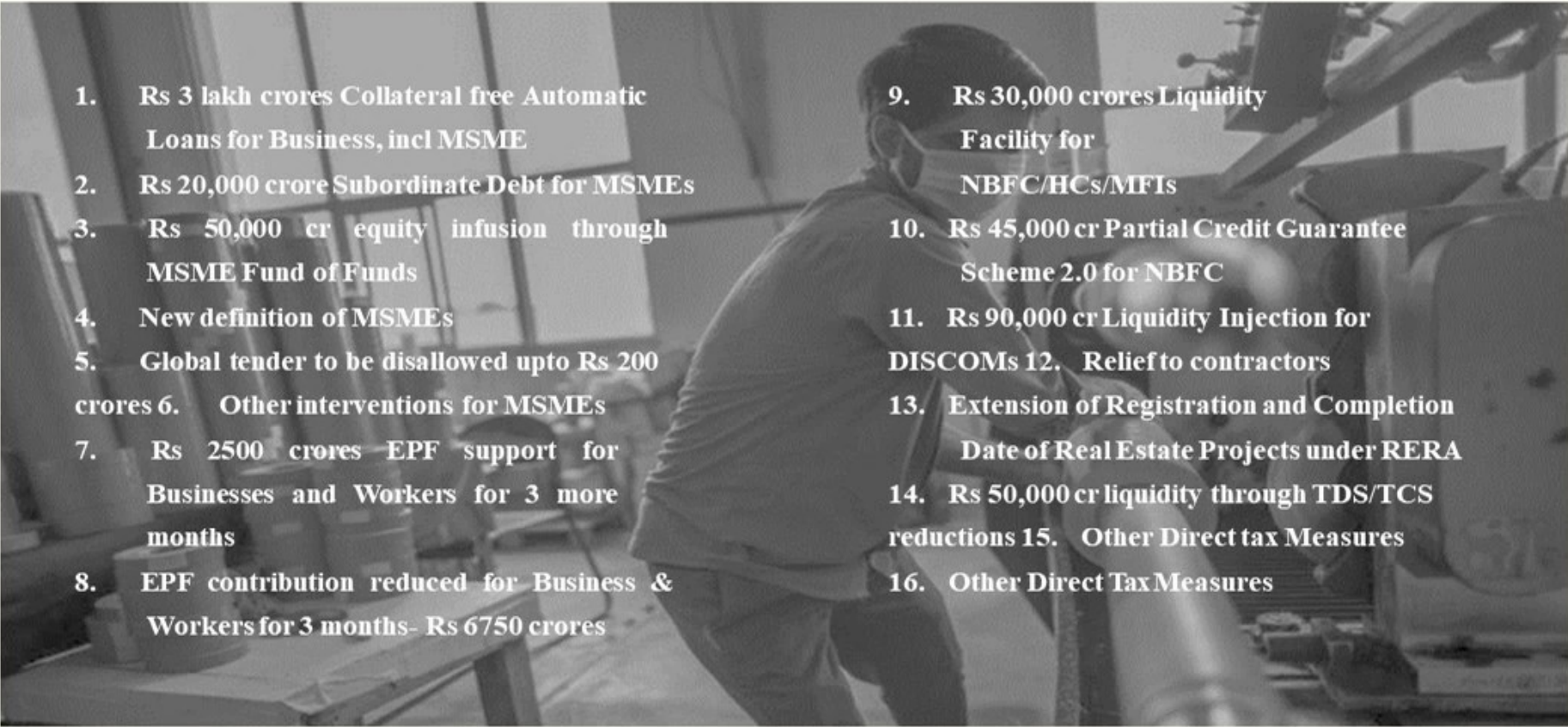


Recap of Some Measures Already Taken :

- **Pradhan Mantri Garib Kalyan Package** specifying various Measures to fight against Corona and relief package for poor, Virus, Insurance cover to poor, Rice and Pulses for Poor, Rs.500/- pm to 20crors women Jan dhan account holder for next 3 Months, Gas cylinders, Increase in MNREGA wage, Ex-gratia of Rs.1,000 to 3 crore poor senior citizen, poor widows and poor Divyang, etc.
- Provided various **Relaxation in Statutory and Compliance** matters for Industry.
- Various Measures taken by **RBI** to ensure enough Liquidity in Market such as Reduction in CRR, TLTRO etc.
- Announced **special refinance facilities to NABARD, SIDBI and the NHB** and Announced the opening of a **special liquidity facility (SLF)**
- **Moratorium** of three months on payment of instalments and payment of Interest on Working Capital Facilities in respect of all Term Loans.



New Package for Businesses including MSMEs at a Glance :

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1. Rs 3 lakh crores Collateral free Automatic Loans for Business, incl MSME
 2. Rs 20,000 crore Subordinate Debt for MSMEs
 3. Rs 50,000 cr equity infusion through MSME Fund of Funds
 4. New definition of MSMEs
 5. Global tender to be disallowed upto Rs 200 crores
 6. Other interventions for MSMEs
 7. Rs 2500 crores EPF support for Businesses and Workers for 3 more months
 8. EPF contribution reduced for Business & Workers for 3 months- Rs 6750 crores
 9. Rs 30,000 crores Liquidity Facility for NBFC/HCs/MFIs
 10. Rs 45,000 cr Partial Credit Guarantee Scheme 2.0 for NBFC
 11. Rs 90,000 cr Liquidity Injection for DISCOMs
 12. Relief to contractors
 13. Extension of Registration and Completion Date of Real Estate Projects under RERA
 14. Rs 50,000 cr liquidity through TDS/TCS reductions
 15. Other Direct tax Measures
 16. Other Direct Tax Measures

MSME Measures :

1. 3Lakh Crore (60k Cr cover) Collateral free automatic loans :

Decision : Emergency Credit Line to MSMEs from Banks and NBFCs upto 20% of entire outstanding credit as on 29.2.2020.

- Eligibility : Borrowers with Rs.25 crore outstanding loan or Rs.100 crore turnover.
- Loan with 4 years tenor, 12 months moratorium.
- 100% credit guarantee on principal and interest to Banks and NBFCs by Govt.
- Offer Valid until 31 October 2020.
- No fresh collateral required nor any extra fees to be charged.

45 Lakh units can resume business activity and safeguard jobs with this. However, no extra cash out flow for Government on this measure. This is to increase liquidity in Business.

MSME Measures (continue) :

2. Rs.20,000 crores Subordinate Debt for Stressed MSMEs :

Decision : To provide stressed MSMEs with equity support, Government will facilitate provision of Rs.20,000 crores as subordinate debt.

- Eligibility : Functioning MSMEs which are NPA or are stressed will be eligible
- Promoters of the MSME will be given Debt by Banks, which will then be infused by promoter as Equity in the Unit.
- CGTMSE will provide partial Credit Guarantee support to Banks.
- Government will provide a support of Rs.4,000 Crores to CGTMSE.
- GOI will facilitate provision of Rs.20,000 crores as Subordinate Debt.

2 Lakh MSMEs are likely to benefit with this measure. This will help in revival of stressed and NPA Accounts and will work as **booster doze** for industry.

MSME Measures (continue) :

3. Rs.50,000 crores Equity infusion for MSMEs through Fund of Funds : (Further Announcement will be made in this regard)

Decision : To provide Equity Funding for Standar MSMEs with Growth Potential and Viability.

- Fund of Funds with Corpus of Rs 10,000 crores will be set up.
- FoF will be operated through a **Mother Fund** and few **Daughter Funds**
- **Fund structure will help leverage Rs.50,000 crores of funds at Daughter Funds level**
- It will help to expand MSME size as well as capacity.

This will encourage MSMEs to get listed on main board of Stock Exchanges.

Encouragement to Standard and Growing MSMEs to venture and expand in Business without worry of Debt and Interest.

New Definition of MSMEs :

What was Need to Change MSME Definition ?

- There has been a long-pending demand for revisions.
- Low threshold in MSME definition have created a fear among MSMEs of graduating out of the benefits and hence killing the urge to grow.
- To save MSMEs from stop receiving benefits under MSME Scheme once they cross the Rs.200 crores revenue mark.
- Investment limit to be revised upwards.
- **Additional criteria of turnover also being introduced.**
- Distinction between manufacturing and service sector to be eliminated.

Necessary amendments to law will be brought about.

Existing and Revised Definition of MSMEs :

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services Enter	Investment < Rs. 1 cr. and Turnover < Rs. 5 cr.	Investment < Rs.10 cr. and Turnover < Rs.50 cr.	Investment < Rs.20 cr. and Turnover < Rs.100 cr.

Curbing Unfair competition from foreign companies :

Global tenders to be disallowed in Government procurement upto Rs.200 crores

- Indian MSMEs and other companies have often faced unfair competition from foreign companies.
- Now, Government tenders upto Rs.200 crores will no longer be on global tender basis.
- This will make MSMEs eligible to participate in Government purchases and will get big benefit out of it.
- Domestic units now can match the tender quote and no global competition.
- This will be very good step for Self Reliant India and Make in India and thus will increase business of MSME.

Necessary amendments of General Financial Rules will be effected

Other interventions for MSMEs :

- MSMEs currently face problems of marketing and liquidity due to COVID. **e-market linkage** for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions, post Covid-19.
- Fintech will be used to **enhance transaction based lending** using the data generated by the **e-marketplace**.
- Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings.
- **MSME receivables from Govt and CPSEs to be released in 45 days**



EPF Support for Business & Workers :

Rs. 2500 crore EPF Support for Business & Workers for 3 more months

- **Eligibility :** EPF establishments with less than 100 employees and with 90% drawing less than 15,000/- per month.
- **Decision :** To ease financial stress as businesses get back to work, Government decides to continue with Rs.2500 crore EPF Support for Business & Workers for 3 more months and will give Liquidity relief to Business.
- Under Pradhan Mantri Garib Kalyan Package, payment of 12% of employer and 12% of employee contributions was made into EPF accounts of eligible establishments.
- This was provided earlier for salary months of March, April and May 2020 and now will be extended by another three months to salary months of June, July and August 2020.

This will provide liquidity relief of Rs.2500 crores to 3.67 lakh establishments and for 72.22 lakh employees.



To provide more take-home salaries EPF Contribution Reduced :

EPF contribution reduced for Business & Workers for 3 months - Rs.6750 crores Liquidity Support and more take home salaries

- Decision : 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, other than those covered in package of Rs.2500 crores.
- It is necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues.
- CPSEs and State PSUs will however continue to contribute 12% as employer contribution.

This will provide relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees and provide liquidity of Rs.6750 crores over 3 months.



Special Liquidity Scheme for NBFCs/HFCs/MFIs :

Rs.30,000 crore Special Liquidity Scheme for investment in primary and secondary markets to buy investment quality debt papers

- NBFCs/HFCs/MFIs are finding it difficult to raise money in debt markets.
- Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs.
- Securities will be fully Guaranteed by GOI
- This will provide liquidity support for NBFCs/HFC/MFIs and mutual funds and create confidence in the market.



Partial credit guarantee scheme 2.0 for NBFCs :

Rs.45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs

- NBFCs, HFCs and MFIs with low credit rating require liquidity to do fresh lending to MSMEs and individuals, Government announces Rs 45,000 crore liquidity infusion through a Partial Credit Guarantee Scheme.
- Existing PCGS Scheme to be extended to cover borrowings such as primary issuance of bonds/CPs (liability side of balance sheets) of such entities.
- **First 20% of loss will be borne by the Guarantor ie., Government of India.**
- AA paper and below including unrated paper eligible for investment (esp. relevant for many MFIs)



Liquidity Injection for DISCOMs (Power Distribution Comp) :

Rs. 90,000 Cr. Emergency Liquidity Injection for DISCOMs

- To give a fillip to DISCOMs with plummeting revenue and facing an unprecedented cash flow problem, Government announces Liquidity Injection for DISCOMs.
- DISCOM payables to Power Generation and Transmission Companies is currently Rs 94,000 cr., PFC/REC to infuse liquidity of Rs.90,000 cr to DISCOMs against receivables.
- Loans to be given against State guarantees for exclusive purpose of discharging liabilities of Discoms to Gencos.
- Linkage to specific activities/reforms: Digital payments facility by Discoms for consumers, liquidation of outstanding dues of State Governments, Plan to reduce financial and operational losses.



Relief to Contractors :

- In a major relief to contractors, all Central agencies (like Railways, Ministry of Road Transport & Highways, Central Public Works Dept, etc) to provide an **extension of up to 6 months**, without cost to contractor, to obligations like completion of work covering construction and goods and services contracts.
- Covers obligations like completion of work, intermediate milestones etc. and extension of Concession period in PPP contracts.
- Government agencies to **partially release Bank Guarantees**, to the extent contracts are partially completed, to ease cash flows.



Extension of Registration and Completion Date of Real Estate Projects under RERA :

- Urban development ministry will issue advisory to states/ UTs following :
 - Treat COVID-19 as an event of 'Force Majeure' under RERA.
 - Extend the registration and completion date suo-moto by 6 months for all registered projects expiring on or after 25th March, 2020 without individual applications.
 - Regulatory Authorities may extend this for another period of upto 3 months, if needed
 - Issue fresh 'Project Registration Certificates' automatically with revised timelines.
 - Extend timelines for various statutory compliances under RERA concurrently.

These measures will de-stress real estate developers and ensure completion of projects so that homebuyers are able to get delivery of their booked houses with new timelines.



Direct Tax Measures (Income Tax) :

TDS and TCS Related

- The rates of TDS/TCS in respect of specified payments/receipts shall be reduced by 25%.
- This concession in the rate shall be available for the tax deducted or collected between 14-05-2020 till 31-03-2021.
- This relief shall not be available to a salaried and non-resident taxpayer.

By reducing the rate of TDS/TCS, the Govt. helps taxpayers to have more liquidity in their hands.

However, it should be noted that the relaxation in the rate of TDS/TCS will not have any impact on the ultimate tax liability of a taxpayer. Thus, any deficit in tax liability, due to reduced rate of TDS/TCS, should be payable through advance-tax instalments.

Refunds Related

- All pending refunds to charitable trust and non-corporate businesses and professions shall be released soon.

Direct Tax Measures (Income Tax) :

Due Date Related

- Due date of all Income-tax return for the Financial Year 2019-20 will be extended from July 31, 2020 and October 31, 2020 to November 30, 2020.
- The due date for tax audit under section 44AB shall be extended from September 30, 2020 to October 31, 2020
- The last date for opting **Vivad se Vishwas Scheme** without paying additional 10% of the disputed tax shall be extended till December 31, 2020.
- Due date of 30-09-2020 for completion of assessments shall be extended to 31-12-2020. Where assessments are getting barred on 31-03-2021, it shall be extended to 30-09-2021.

Government assumes that this direct tax relief measure will release Liquidity of Rs. 50,000 crore.

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