

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE**

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**LOK SABHA  
UNSTARRED QUESTION NO. 2980  
TO BE ANSWERED ON FRIDAY, THE 3<sup>RD</sup> AUGUST, 2018 / SHRAVANA 12, 1940 (SAKA)**

**GST Exemptions to MSMEs**

**2980. KUNWAR BHARATENDRA:  
SHRI K. N. RAMACHANDRAN:  
SHRI PR. SENTHIL NATHAN:  
SHRI BHARATHI MOHAN R. K.:**

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has undertaken or intends to undertake any measures to give exemptions to Micro, Small and Medium Enterprises (MSMEs) from paying Goods and Services Tax (IGST) by inclusion of Integrated Goods and Service Tax (GST) refund under duty drawback and if so, the details thereof;**
- (b) whether any other measures are being undertaken to increase the access to capital for MSMEs and if so, the details thereof;**
- (c) whether the Government has any plans to exempt Small and Medium Enterprises (SMEs) having annual turnover of Rs. 50 lakhs or less from the ambit of GST, if so, the details thereof and if not, the reasons therefor;**
- (d) whether the Government has received plea from the State Governments or MSME associations/federations in this regard, if so, the details thereof and Government's stand in this regard; and**

**(e) the effective steps taken by the Government to protect the interests of MSME sector from the implications faced by them under GST regime?**

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE**

**(SHRI SHIV PRATAP SHUKLA)**

**Part (a): No, Madam.**

**Part (b): The Government has undertaken various measures to increase the access to capital for MSMEs. These are given at Annexure – I.**

**Part (c) & (d): No, Madam.**

**Part (e): Based on the representations received from various trade and industry bodies, the Government has taken various steps to protect the interests of MSME sector under Goods and Services Tax (GST). These are given at Annexure – II.**

Annexure referred in answer to part (b) of Lok Sabha Unstarred Question No. 2980 to be answered on 03.08.2018 on GST Exemption to MSMEs.

- i. Collateral free credit under Credit Guarantee Fund Scheme, Margin Money Subsidy under Prime Minister's Employment Generation Programme (PMEGP) and credit linked capital subsidy under Credit Linked Capital Subsidy Scheme (CLCSS) is provided to MSMEs.
- ii. Reserve Bank of India (RBI), in February, 2018, advised all banks and Non Banking Financial Companies (NBFCs) regulated by the RBI, to extend the time period from 90 days to 180 days for classification of loan account as Non Performing Asset (NPA) to those borrowers who are registered under the Goods and Services Tax (GST) regime as on 31.01.2018 and applicable to the payments from the borrowers due between 01.09.2017 to 31.01.2018, subject to certain conditions.
- iii. RBI, vide its Circular dated June 06, 2018, has also decided to temporarily allow banks and NBFCs to classify their exposure, as per the 180 days past due criterion to all MSMEs including those not registered under GST as a standard asset subject to certain conditions. Further, in respect of dues payable by GST-registered MSMEs from January 01, 2019 onwards, the 180 days past due criterion shall be aligned to the extant Income Recognition and Asset Classification (IRAC) norms in a phased manner as given in the circular.
- iv. Besides, Government and RBI have taken several measures to facilitate provision of hassle free loans to MSMEs, which inter-alia include, advise to all Scheduled Commercial Banks (SCBs) to achieve 20% year-on-year growth in credit to Micro and Small Enterprises (MSEs), allocation of 60% of the MSEs advances to the micro enterprises accounts, a 10% annual growth in number of micro enterprise accounts, additional working capital limit to meet the requirements arising due to unforeseen/ seasonal increase in demand, adoption of one cluster, operationalising at least one specified MSME Branch in every district etc., computation of working capital requirements of MSE units has been simplified to make it minimum 20% of the projected annual turnover of the unit for borrowal limits upto Rs. 5 crore and set up Trade Receivables Discounting System (TReDS) Platform to solve the problem of delayed payments to MSMEs.

Annexure referred in answer to part (e) of Lok Sabha Unstarred Question No. 2980 to be answered on 03.08.2018 on GST Exemption to MSMEs.

- i. **Service providers making inter-State supplies whose aggregate annual turnover does not exceed Rs. 20 lakh have been exempted from the requirement of registration under GST.**
- ii. **Extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% Export Oriented Units (EOU) schemes to sourcing inputs etc. from abroad as well as domestic suppliers. Holders of AA / EPCG and EOUs are not required to pay Integrated Goods and Services Tax (IGST), Cess etc. on imports. Further, domestic supplies to holders of AA / EPCG and EOUs are treated as deemed exports under section 147 of Central Goods and Services Tax (CGST)/State Goods and Services Tax (SGST) Acts and refund of tax paid on such supplies is given to either the supplier or the recipient.**
- iii. **The supply of taxable goods by a registered supplier to a merchant exporter for exports shall attract a total GST rate of 0.1%. This will reduce capital blockage for exporters.**
- iv. **Registered persons making supply of goods are now required to make payment of tax at the time of the issuance of invoice and not at the time when advances are received.**
- v. **Recommendations made by the GST Council meeting in its 28th meeting held on 21st July, 2018 are as follows:**
  - I. **It has been decided to amend the law in order to increase the upper limit of turnover for opting for composition scheme from Rs. 1 crore to Rs. 1.5 crores.**
  - II. **The provisions of reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and sub-section (4) of section 5 of the IGST Act, 2017 will be suspended till 30.09.2019.**
  - III. **Taxpayers having annual turnover upto Rs. 5 crores in the previous year would have the option to file quarterly returns under GST.**
  - IV. **The threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand is to be increased to Rs. 20 lakhs from Rs. 10 lakhs.**