



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES

(IN THE SERVICE OF MSME SINCE 1985)

Ref. No. 4/GOI/0100

25th Mar 2020

To,
Smt Nirmala Sitharaman
Hon'ble Finance Minister,
Government of India

SUBJECT: REGARDING IMPACT OF COVID-19 ON MSME'S, PRESENT SITUATION, AND SUGGESTED MEASURES

Madam,

At the outset, Indian Industries Association (IIA) expresses sincere thanks to you for the decisions announced on 24th March 2020 for extending dates for all compliances related to direct and indirect taxes.

Indian Industries Association (IIA) an apex body of MSME's in North India realizes the emergency situation and top most priority & duty of all of us to protect ourselves and the entire mankind from the Covid-19 epidemic . We on our part have issued advisories to all more than 8000 MSME Members of the association to abide by the Government instructions, rules and regulations as well as special appeal of our Prime Minister to combat the situation.

We would like to appreciate the steps taken by the Government of India so far under the leadership of our dynamic Prime Minister Shri Narendra Modi Ji not only to fight with this epidemic but also for supporting the MSMEs. The proactive relief announced by you yesterday is a welcome step. You have also announced that your Ministry and the Regulators are working on economic package for MSMEs also which will be announced soon. We hope that the interests of MSMEs will be taken care of adequately in this package also.

In the meantime , we are submitting you the feedback of IIA on impact of Covid-19 on MSME's, present situation and suggestions for kind consideration as under:-

1. PRESENT SITUATION INCLUDING AFFECT ON PRODUCTION, SALES ,IMPORTS & EXPORTS:-

- In view of the Lockdown & complete shutdown of Industries in affected districts from 18th March 2020 and now in the entire country from midnight yesterday i.e 24th March , MSME's will be subjected to irreparable loss unless supported by the Central and State Governments.
- MSME s across the country will not be able to carry on with the production activities hence there will be no use of the Electricity and yet they will be required to pay Demand / fixed charges & minimum charges , wages to all the workers & employees without any output, payment of bank loan & interests, statutory compliances & payments. Moreover returns for direct & indirect taxes will have to be filed and so on.



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- Uncertainty looms large due to shutdown of the industries. In case of prolonged shutdown, MSMEs may not be able to recover from the shock even after Covid 19 is controlled, unless the Government extends liberal and urgent relief to MSMEs.

It has to be appreciated that MSMEs are part of long supply chains; their disruption anywhere will hurt this supply chain badly. Due to the LOCKDOWN THE MSMEs ARE SUBJECTED TO FOLLOWING AFFECTS:-

- Functioning and supply chain is disrupted.
- Travel & other restrictions have brought the production, demands & sales to a halt.
- Inflow of the funds & revenues are stopped & inventories are locked resulting in acute shortage of working capital for payment of salaries, power bills, Taxes, EMI's & interest on loans etc.
- Imports of the raw materials, components, equipment's & machinery are restricted or stopped resulting in idling of the capacity and it will be difficult to resume the import supplies even after Covid-19 is controlled.
- Exports have diminished.
- Manpower is sitting idle. Lay-off of workers is eminent unless of course immediate and drastic measures are taken by the Government. Economic impact of this pandemic doesn't seem limited to a short term, it will take at least a year for things to come back to normal.
- Delayed payments situation from State & Central Government departments / undertakings and Big industries has worsened adding fire to fuel. Even Minister MSME Govt of India have acknowledged that State & Central Government undertakings and big industries in India owe Rs 5.5 lakh to 6 lakh crores to Small scale industries .
- Income Tax and GST Departments are issuing notices for pending ITR Assessments, pending demands etc saying that they have to meet the revenue targets.
- Government is asking industries to give paid holidays to COVID -19 affected employees without adjustment of their medical & earned leaves.

Above situation has put MSMEs under tremendous pressure and they find it next to impossible to survive, not to talk of making payments for wages / supplies / EMI's / Bank interests / taxes / recoveries / demands etc.

2. IIA THEREFORE IS SUGGESTING FOLLOWING MEASURES FOR YOUR KIND CONSIDERATION:-

(A) Flow of Credit to MSME's

- For MSME's the Bank EMI's & interest on TL and CC be deferred for at least six months or more subject to the impact of Covid19.
- MSME's should be allowed additional working capital up to 30% for six months without any additional charges. However in the case of CGTMSE loans it should be up to 50%.



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- Considering the unprecedented impact of the pandemic, no enterprise that cannot be called a habitual offender, be declared NPA, post Covid-19 circumstances.
- RBI should issue mandatory instructions to do away with credit rating for next six months, so that MSME's can get finances on lower interest rates.
- IIA is thankful to Hon'ble Finance Minister's announcement yesterday i.e 24TH March for extending Financial year closing till 30th June 2020. However in view of the announcement of Hon'ble Prime Minister in the evening for extending Lockdown period for 21 days in the entire country and uncertainty even thereafter , it is requested that the Financial Year closing period may be extended further depending upon the impact of Covid19 or atleast for three more months.

(B) Income Tax

- The departments should not issue notices for time bound compliance.
- TDS for payment of salaries and services should be suspended for six months.
- .Hon'ble Finance Minister yesterday i.e 24th March have extended the date for filing Income tax return till 30th June 2020. However in view of the announcement of Hon'ble Prime Minister in the evening for extending Lockdown period for 21 days in the entire country and uncertainty even thereafter , it is requested that the compliance date may be extended further depending upon the impact of Covid19 or atleast for three more months.
- The government should also give instructions to tax officers to put a temporary hold on the fixation of personal hearing.
- The Government should issue instructions to the adjudicating / appeal authorities to not to pass any order ex party.

(C) GST

- Departments should stop sending further notices and seeking time-bound clarifications. Accounts work cannot be done from home. We can either work in the office and become a threat to everyone or follow the advice of our Honorable PM.
- Hon'ble Finance Minister announced yesterday i.e 24th March the Waiver of all penalties on late fee or interest in case of delayed discharge on any statutory dues under the GST law as well as due date for tax payers to convert under composition scheme for financial year 2021 **upto 30th June 2020**. However in view of the announcement of Hon'ble Prime Minister in the evening for extending Lockdown period for 21 days in the entire country and uncertainty even thereafter , it is requested that the compliance date may be extended further depending upon the impact of Covid19 or atleast for three more months.
- GST refunds to be further expedited and documentation requirements to be reduced.
- GST Registration cancelation done earlier should be given time for restoration up to 30th September 2020 without any interest / late charges / penalties.
- The government should also give instructions to tax officers to put a temporary hold on the fixation of personal hearing.
- The Government should issue instructions to the adjudicating / appeal authorities to not to pass any order ex party.



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(D) Exports

PCFC (packing credit in foreign currency) loan against export order is being taken by the exporters with the agreement with the bank to handover the documents with b/l within committed period but due to lock down industries are closed and shipments are held up. So exporters are not in a position to handover the documents to the bank within committed period.

So, under such circumstances banks should be instructed not to pressurize the exporters in case they are not able to handover the documents within the time period.

All MSMEs will be under massive cash flow stress, the above suggested measures are going to put some cash back in the business and give a lifeline for them to be able to survive .

I hope you will be kind enough to accept our suggestions and requests for the survival of MSMEs in this time of great difficulty.

Thanks

Pankaj Kumar

National President IIA

Copy for kind information and necessary action to :

1. Hon'ble Prime Minister of India, New Delhi.
2. Hon'ble Minister MSME, Government of India

Pankaj Kumar