



# GARV & Affiliates



## MSME – UDYAM REGISTRATION

MSME enterprises are the pillars of any economy and act as a catalyst for growth of the economy. Therefore, to support and promote MSMEs, the Government of India provides support in the form of subsidies, schemes and incentives. and hence the Ministry of Micro, Small and Medium Enterprises has come up with a notification dated **26th June, 2020** hereby notifying certain criteria for classifying the enterprises as micro, small and medium enterprises and specifies the form and procedure for filing the memorandum (hereafter in this notification to be known as —Udyam Registration), with effect from the **1st day of July, 2020**, namely:

1. Classification of enterprise
2. Criteria/Calculation of Investment in Plant and Machinery or Equipment.
3. Calculation of Turnover
4. Process of Registration
5. Registration of existing enterprise

**CLASSIFICATION OF ENTERPRISE (As per notification dated 1st June, 2020 read with notification dated 26th June, 2020)**

Investment is investment in Plant and Machinery or equipment.

| <u>CLASSIFICATION</u> | <u>REVISED LIMITS</u><br><u>Manufacturing &amp; Services</u> |
|-----------------------|--|
| Micro Enterprises     | Investment ≤ Rs. 1 Crore and<br>Turnover ≤ Rs. 5 Crores      |
| Small Enterprises     | Investment ≤ Rs. 10 Crore and<br>Turnover ≤ Rs. 50 Crores    |
| Medium Enterprises    | Investment ≤ Rs. 50 Crore and<br>Turnover ≤ Rs. 250 Crores   |



### COMPOSITE CRITERIA

1. If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
2. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

### CRITERIA/CALCULATION OF INVESTMENT IN PLANT AND MACHINERY OR EQUIPMENT

The expression —plant and machinery or equipment|| of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).

1. The calculation of investment in plant and machinery or equipment shall be as per the Income Tax Return filed last year.
2. Where no ITR is available, the investment calculation shall be on the basis of self-declaration of the promoter and the invoice value shall be taken into account excluding GST on self disclosure basis.

### CALCULATION OF TURNOVER

1. Exports of goods or services or both shall be excluded while calculated the turnover.
2. Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
3. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

## PROCESS OF REGISTRATION

1. The form for registration shall be as provided in the Udyam Registration portal.
2. Aadhaar number shall be required for Udyam Registration.
3. The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).
4. In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.
5. In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
6. No enterprise shall file more than one Udyam Registration:

Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.

7. Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the Act.

## REGISTRATION OF EXISTING ENTERPRISES

1. The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of March, 2021.
2. All existing enterprises shall register again on the Udyam Registration portal on or after 1<sup>st</sup> July, 2020.
3. All enterprises registered till 30<sup>th</sup> June, 2020 shall be re-classified in accordance with this notification.

## UPDATION OF INFORMATION

1. An enterprise having Udyam Registration Number shall update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and such other additional information as may be required, on self-declaration basis
2. Based on the information furnished or gathered from Government's sources including ITR or GST return, the classification of the enterprise will be updated.
3. In case of graduation (from a lower to a higher category) or reverse-graduation (sliding down to lower category) of an enterprise, a communication will be sent to the enterprise about the change in the status.

4. In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.
5. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

**MSME is the buzz word now and MSMEs are mushrooming in the country with regular support from the government. We hope this article gives you a brief understanding about eligibility and benefits of MSME registration in India.**

**To avail the benefits under the MSMED Act from Central or State Government and the Banking Sector, MSME Registration is required.**

**Feel free to contact us for any other queries or assistance in this regard.**

# Contact Us

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