

# ECONOMIC RELIEF PACKAGE TO FIGHT **COVID-19**

# ATMANIRBHAR Bharat Abhiyaan:

For Poor including migrants and farmers

Finance Minister, Smt. Nirmala Sitharaman announced several relief measures to help businesses including micro, small and medium enterprises (MSMEs) to recover from impact of COVID-19 pandemic and provide relief to the Migrant workers, small vendors and distressed Farmers.

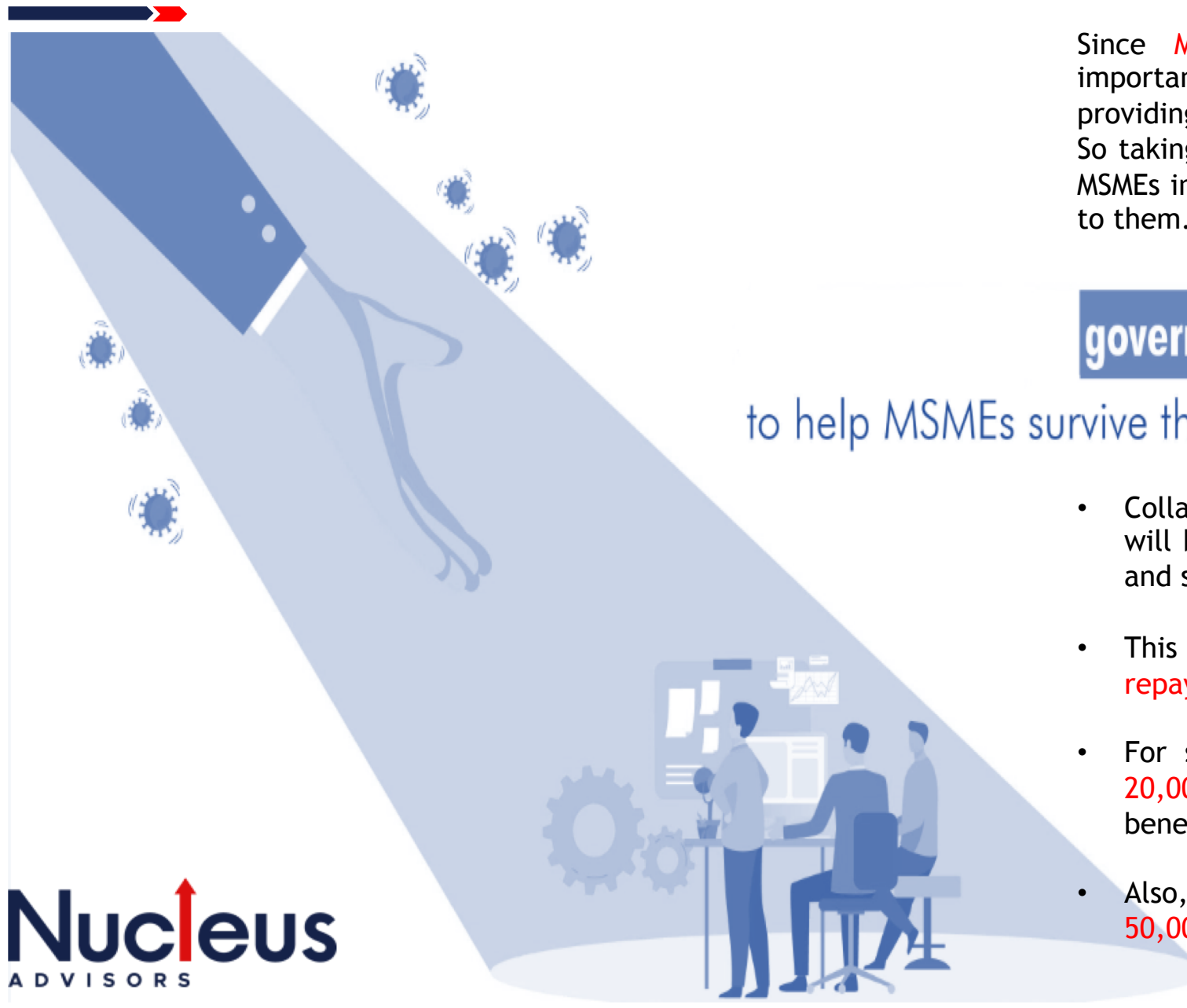
For this, government has announced economic Package worth Rs. 20 Lakh crore which is equivalent to 10% of India GDP.

The Focus of the economic package will be centered around Labour, Law, Liquidity and building “**Aatmanirbhar Bharat**” or Self-reliant India.

The measures announced will give a huge relief to Businesses and would play an important role in increasing cash flows in the Economy.



# Relief Measures for MSMEs



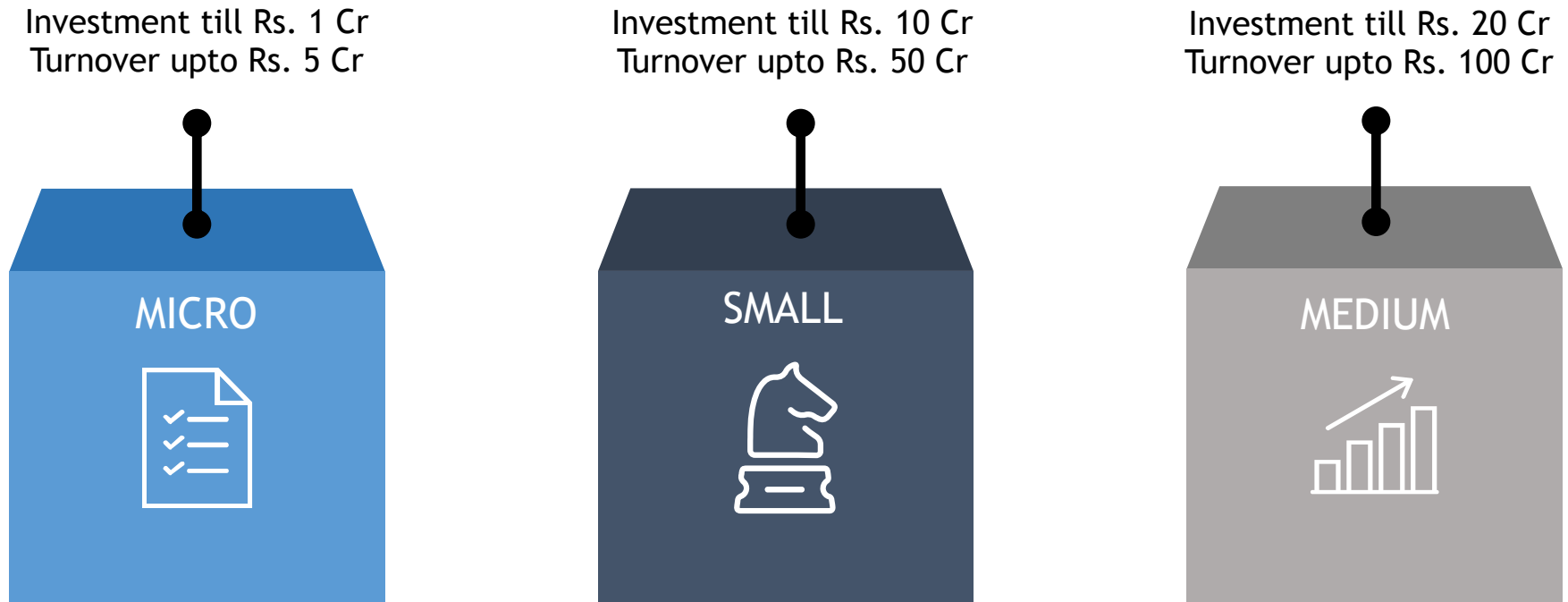
Since **Micro, Small and medium enterprises** play an important role in the growth rate of the **Indian Economy** and providing employment in large scale after Agriculture Sector. So taking care of this, government has provide **big relief** to MSMEs in the form of a **massive increase in credit guarantee** to them.

**government has planned**

to help MSMEs survive the COVID-19 fallout

- Collateral free loans for MSME **up to Rs. 3 Lac crore**. This will benefit **45 Lakh units** so that they can resume work and save employment.
- This is for **4 year tenure** and with **NO principal repayment for 12 months**.
- For stressed MSMEs, Subordinate **debt provision of Rs 20,000 Cr** has been announced for 2 lakh MSMEs. It will benefit those which are **NPAs or stressed MSMEs**.
- Also, government facilitate **equity infusion worth Rs 50,000 Cr** for the MSME through Fund of Funds.

- To extend the purview of MSMEs, **government has revised the definition** to aim for expansion and not lose benefits.
- The new definition will now be based on the **upward revised investment limit** and an additional criteria of Turnover Size.
- Additionally, the **earlier distinction** between manufacturing and Service MSMEs **is now removed**.







- As per announcement only **Indian Companies** and MSMEs can take part in bids for Government Tenders **up to Rs 200 crore**.
- Besides helping Indian MSMEs get more business, this development will push towards a **self reliant** and also give boost to Make in India initiative.
- This step has been taken to protect the interest of Indian businesses, especially MSMEs from **unfair competition from foreign Companies** and empower their strength and Competitive spirit.

The Government has provided massive relief to Non-banking finance companies (NBFCs), housing finance companies (HFCs) and micro-finance institutions (MFIs).

In announcement govt. agreed to provide **full and partial guarantees on investments in Debt Securities** issued by these non-bank lenders under two different scheme:

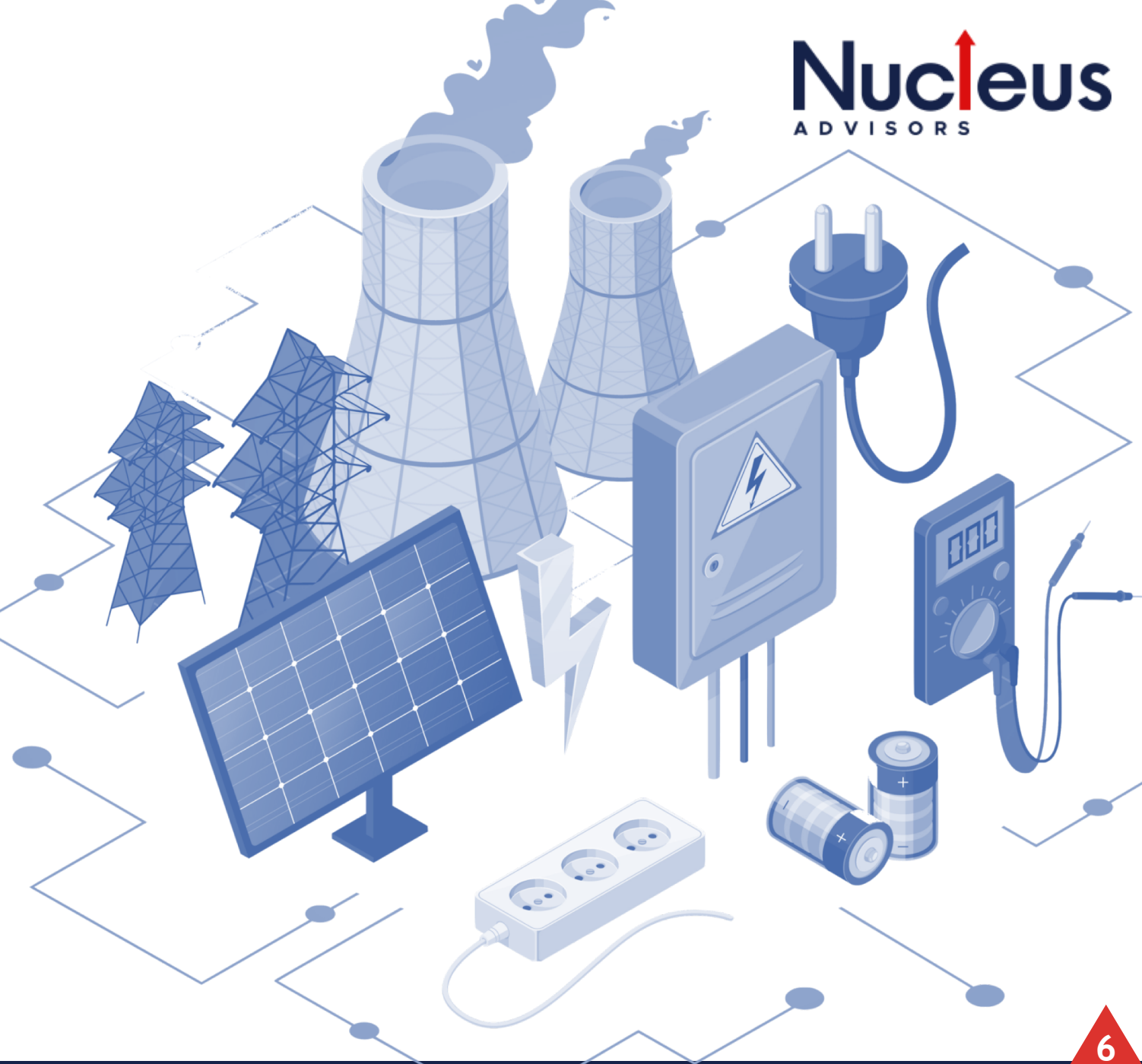
1. The first scheme is a **Rs. 30,000 Cr Special Liquidity Facility**. Under this scheme investment can be made in Investment grade debt securities of NBFCs, housing finance companies and micro finance institutions. These Investments will be fully guaranteed by the government.
2. **Rs 45,000 Cr. partial credit guarantee scheme 2.0** (PCKGS) for NBFCs. This PCKGS 2.0 is going to be different from PCKGS as the government has now allowed low Credit rating NBFCs, HFCs and MFIs to get the loan. The **first 20% loss** will be borne by the guarantor that is government of India.

This facility will help to **create Demand for securities** issued by these Non-Bank lenders and help in providing Liquidity to them.



With an aim to provide relief to **cash strapped Power Distribution Companies (DISCOMs)** government has taken slew of measures to help them including providing a **rebate**.

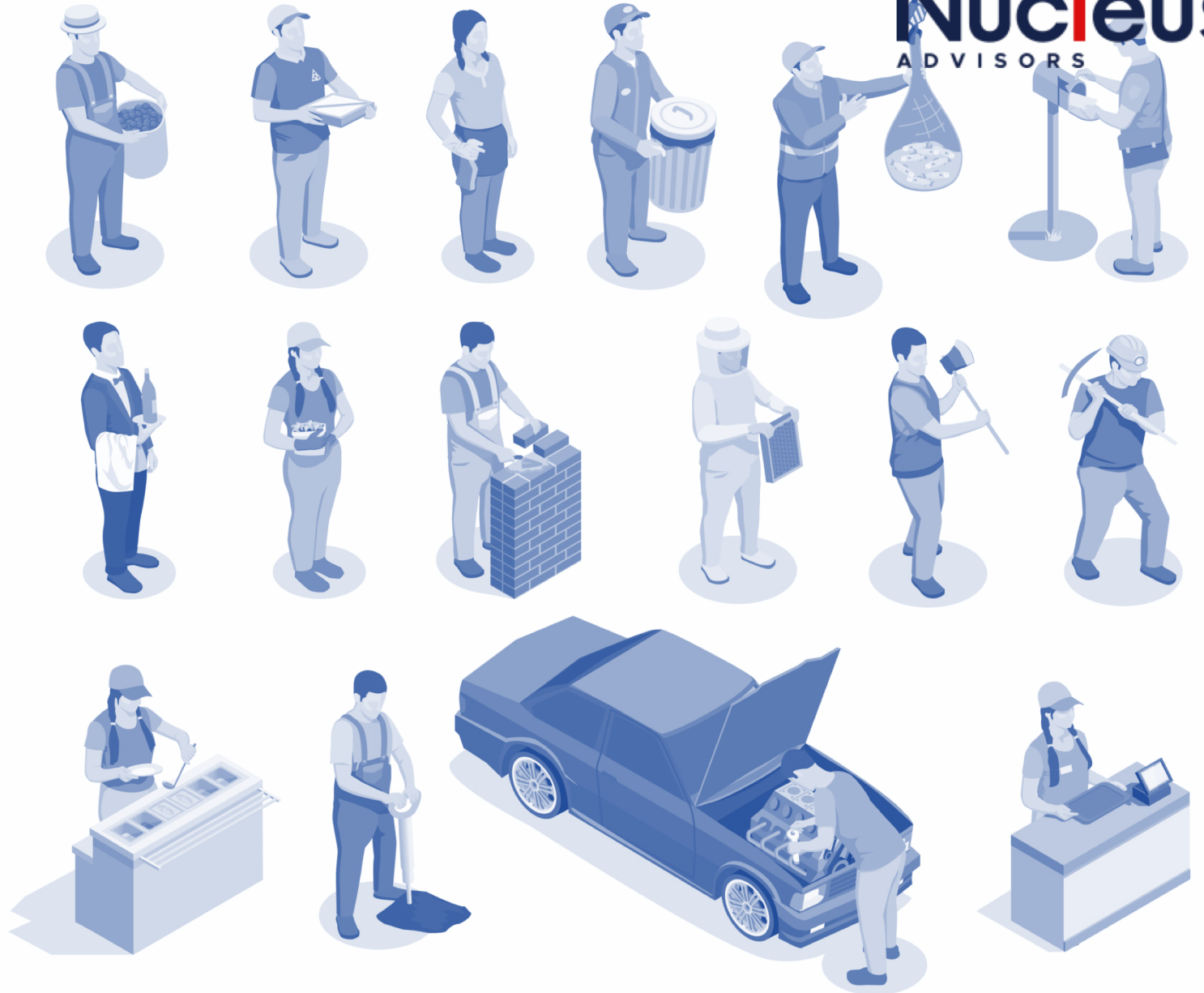
- Revenue of Power Distribution Companies (DISCOMs) have plummeted.
- Central public Sector Generation companies has give rebate to DISCOMs which shall be passed on the final consumers (industries).
- DISCOMs payables to Power Generation and Transmission Companies is currently **Rs. 94,000 Cr.**
- PFC/REC will **infuse liquidity of Rs. 90,000 Cr** to DISCOMs against their receivables and loans.
- These loans are to be given against State guarantee for the exclusive purpose of discharging liabilities of Power Distribution Companies to Power generation Companies.



# Relief Package for Migrant Workers, Poor and Farmers

In the second tranche of 20 Lacs Cr economic package, government focuses on **migrant workers, small vendors and marginal farmers**. Due to the global pandemic, many migrant workers living in metro cities have found themselves in problem.

- The government has decided that it will provide **free food grains for the next 2 months**. To enable the availability of food grains, government plans to allow for **national portability of ration cards**, where one can procure food grains from any part of the country.
- According to the data this scheme cover around **67 Cr beneficiaries** across 23 states by the end of August month this year.
- The government will also provide **easier credit facility** to the street vendors amounting to an outlay of Rs 5,000 Cr.
- For those who are engaged with agricultural and allied activity, the government will provide an additional **Rs 30,000 Cr** working capital fund to NABARD and it will be disbursed through various financial institutions.



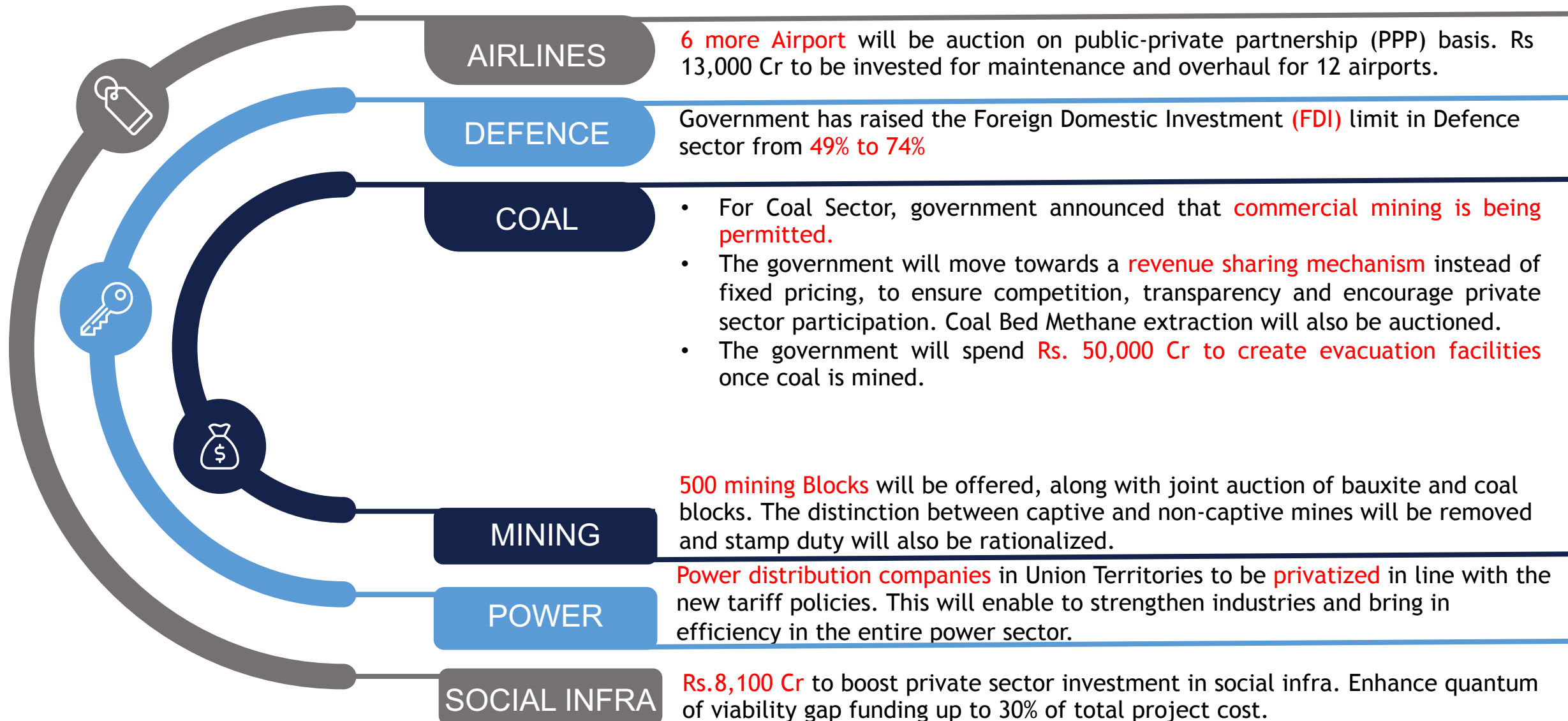


- Rs. 2 Lac Cr of concessional boost to 2.5 Cr farmers through **Kisan Credit Card**.
- Also the Kisan Credit Card will now be extended to those engaged in **fishing and animal husbandry**.
- Interest subvention support of 2% for those who availed loans under **Mudra Shishu loan** (Rs 50,000 or less) will be given after **3 month moratorium** period ends. As per estimates, it will benefit over 3 Cr people under shishu category.
- Government will launch a scheme for affordable rental housing for migrant workers/ urban poor to provide ease of living by converting govt. funded housing in cities into **Affordable Rental housing Complexes (ARHC)** under public-private partnership model
- For Creating Job opportunities in urban and rural areas govt. **allocate Rs. 6,000 Cr** to compensatory afforestation management and Planning authority (CAMPA) fund under Compensatory Afforestation Fund, Act 2016.



# Key Reforms in 4<sup>th</sup> Tranche of Economic Package

In the fourth set of measures government focused on the structural reforms on following sectors:





Finance minister announced fifth and final tranche of economic package to deal with economic fallout of COVID-19 pandemic. This package focus on MGNREGA, Healthcare and Education, Businesses, De-criminalization of the Companies Act, ease of doing Business, Public Sector Undertakings (PSUs) and resources related to state government.

### Ease of Doing Business:

- Rationalization of **related party transactions** related provisions.
- **Reduce compliance burden** under various provisions of Companies Act, 2013.
- **Lower penalties** for all defaults for small companies, one person companies, producer companies and startups.

### Companies Act/ Stock Exchange:

- **Violations involving minor technical procedural defaults** like shortcomings in CSR reporting, inadequacies in board report, filing defaults, delay in holding AGM etc. are decriminalized.
- **Direct listing of securities** by Indian public companies in permissible foreign jurisdiction
- Private companies which **list NCDs on stock exchanges not to be regarded as listed companies**

### Mahatma Gandhi National Rural Employment Guarantee (MGNREGA)

- **Rs. 40,000 Cr allocated to MGNREGA** to provide employment boost, earlier budget estimates for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was Rs 61,000 crore.

# Key Reforms in 5<sup>th</sup> Tranche of Economic Package

## Agriculture & Allied Sectors

- Fund of **Rs.1 Lac Cr** will be created for **Agri-Logistics**. New warehouses will be created, cold chain, primary agriculture society, post-harvest storage infrastructure will attract Investments.
- Rs.15000 Cr fund is created for the Allied sector. Cheese, milk products, cattle feed plants for domestic use and also for export.

## Education and Healthcare

- **DIKSHA** for school education in states/UTs, under one nation one digital platform.
- Major ramp-up of infrastructure, with focus on aspirational districts. All districts will have **infectious district block** in hospitals. Public health labs will be set up at block level
- One earmarked TV channel per class from 1 to 12, under one class one channel.
- Top 100 universities will be permitted to automatically start **online courses by 30th May, 2020**.



- Due date of Income Tax Return (ITR) for the financial year 2019-20 has been extended from 31<sup>st</sup> July to 30<sup>th</sup> November 2020.
- Due Date for completion of Self assessments has extended from 30<sup>th</sup> September to 31<sup>st</sup> December 2020. Where Assessments are getting barred on 31<sup>st</sup> March 2021, it shall extended to 31<sup>st</sup> September 2021.
- Due date of filing **Tax Audit Report** under **Sec 44AB** extended from 30<sup>th</sup> September 2020 to 31<sup>st</sup> October 2020.
- The Last date of Opting **Vivad se Vishwas Scheme** without paying additional 10% of the Disputed tax has extended till 31<sup>st</sup> December 2020.
- All pending refunds to charitable trust and non-corporate businesses like sole proprietorship, LLPs and cooperative society will be released soon.



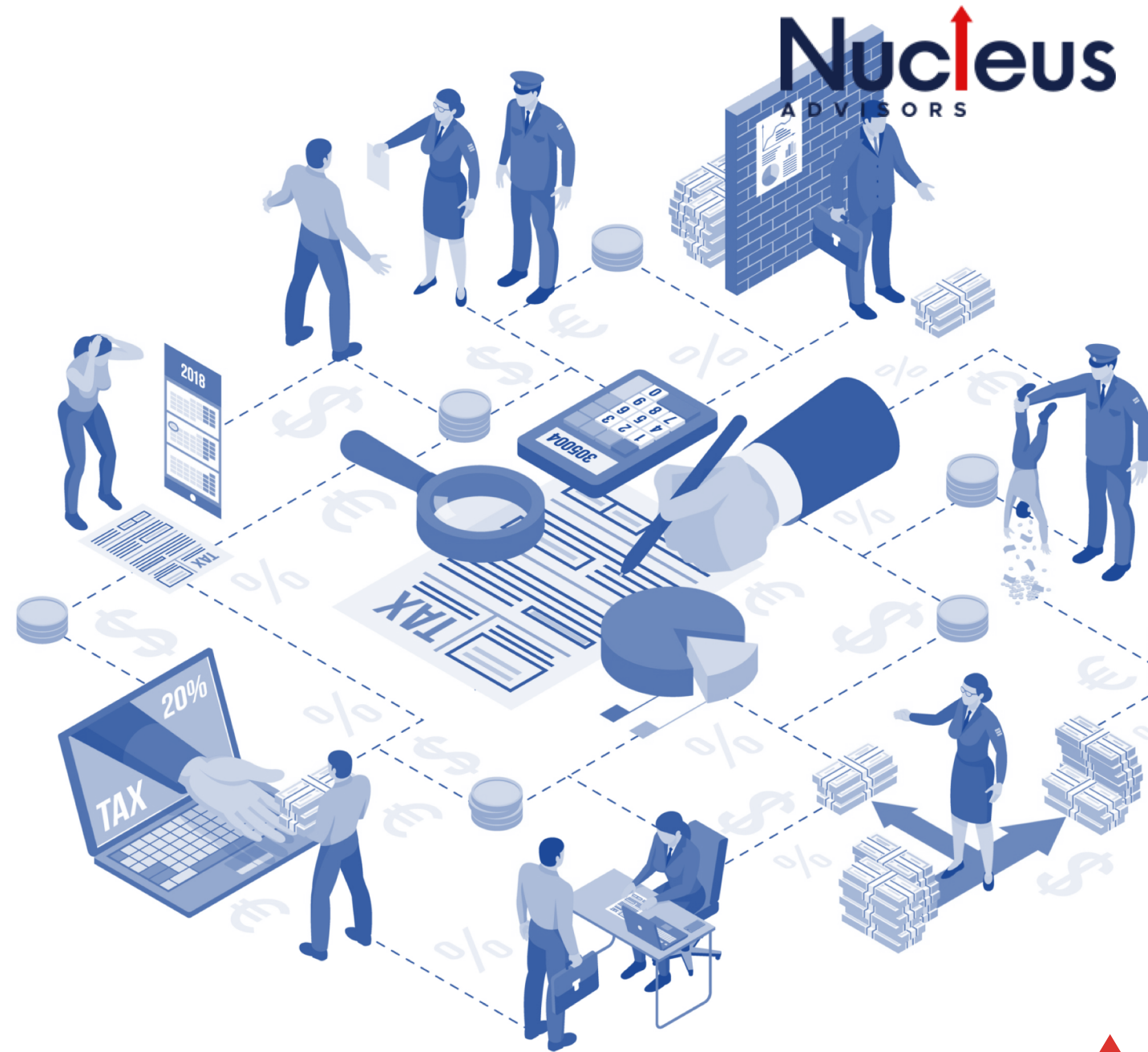
- In order to provide more funds at the **Disposal of Taxpayer**, the rate of Tax deducted at source (TDS) for Non Salaried specified payments made to Resident and rates of Tax collected at source (TCS), reduced by 25% of the existing rates.
- For example, **TDS paid on Professional Fees**, Rent and Interest on Securities is 10%, Now it will be **reduced to 7.5%**.
- These revised rates will come into **effect from 14 May 2020** and will be applicable till 31 March 2021. This move will release Rs. 50,000 Cr into the System.

This move will leads to **more liquidity** in hands of the recipient however reduction in TDS and TCS rates does not mean reduction in the Tax Liability of the receiver of these Incomes. He or she has to pay tax on the entire payment as per the Income tax slab rate applicable to him/ her.



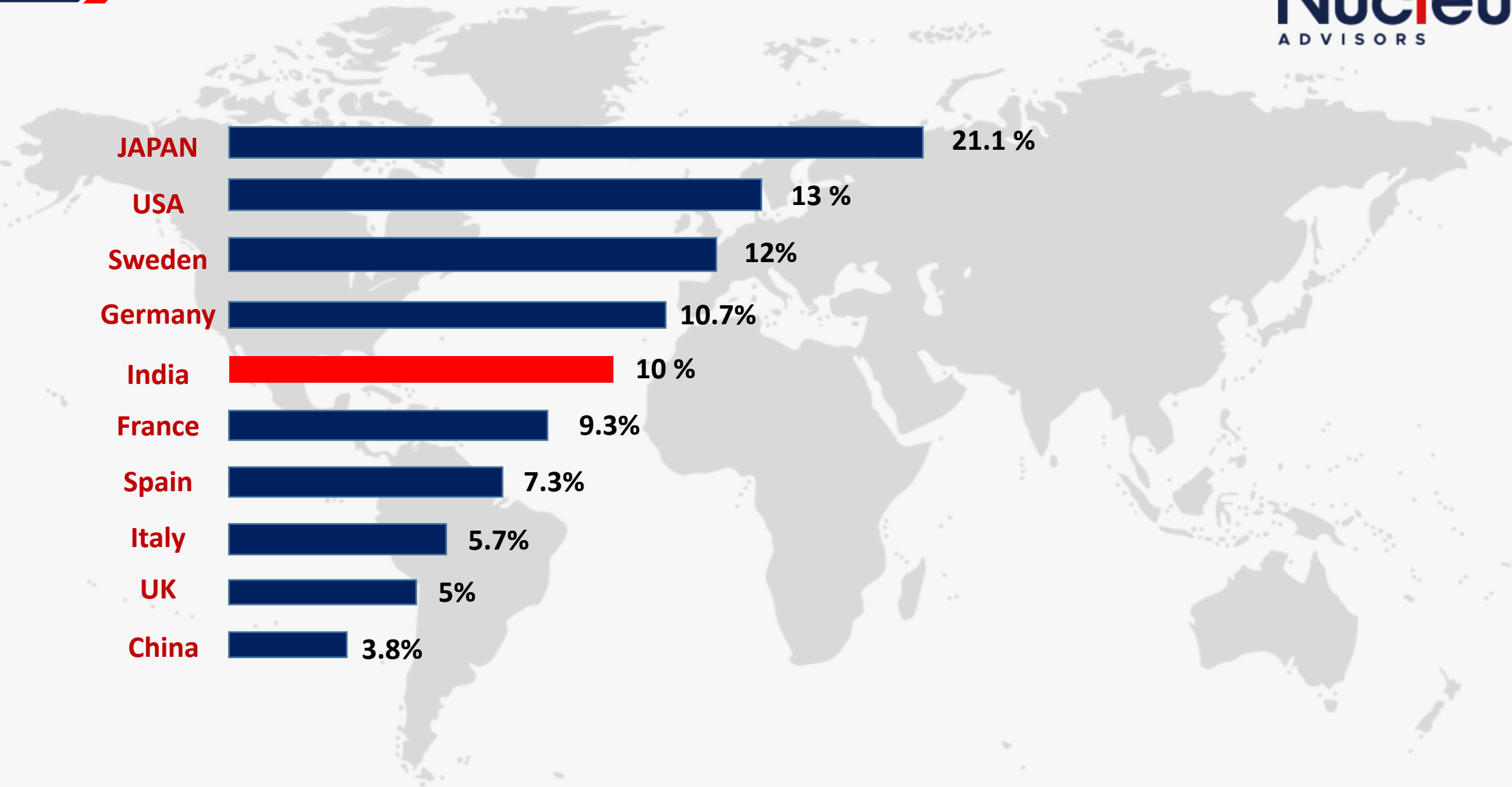
- The government will make employee Provident **contribution of 12%** on behalf of the employer and employee both for the month of June, July and August 2020.
- This benefit for all those establishment which have upto **100 employees** and 90% of the employees earning **less than Rs. 15,000 per month**.
- To Increase take home salary for employee government **reduced statutory Limit** for contribution to Provident Fund from **12% to 10%**. This revised rate doesn't apply to Govt. organisation.
- This move will **infuse Rs. 6,750 Cr** liquidity into these organization.

Currently, most of the Businesses are facing severe losses and cash crunch, this kind of relief provide **more Liquidity to Businesses** by reducing their contribution to Employee Provident Fund ( EPF ).





# Global Relief Packages (as % of GDP)



Source: Statista





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