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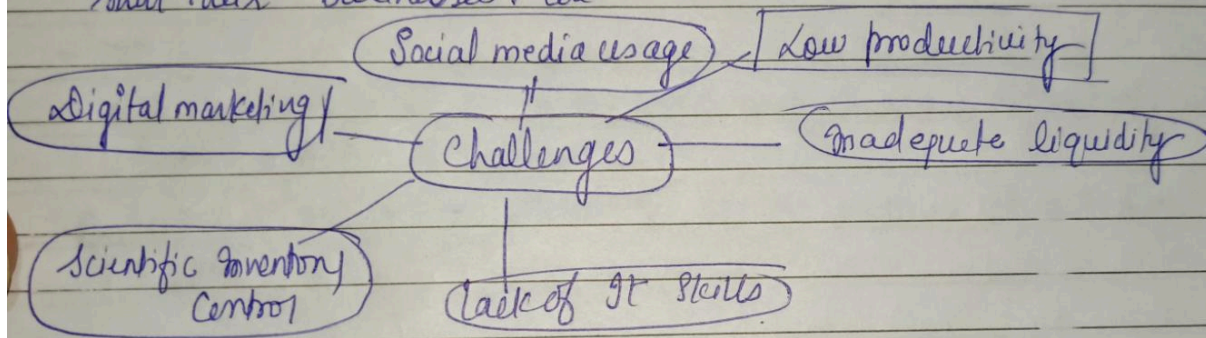
## Govt Policies

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A focused review of various regulations impinging the MSME sector could help enable reduction of regulatory clutter and make it globally competitive.

MSMEs are the backbone of the Indian economy. Numbering over 60 million, despite enormous potential, they face challenges impeding productivity and efficiency. Due to COVID-19 recovery 35% MSMEs and 37% of the self-employed people have already shut their businesses.



→ There is need to upgrade skills in tune with the call of PM Modi - skill, reskill and upskill. Several start-ups and apps that have come up based on identified MSME needs like 'Vyapar', 'Khatapooka', 'OK credit', 'Gimbooks' etc.

→ New age techniques will help MSMEs raise finances smoothly. Fin-techs conduct loan evaluation quicker with documents digitally uploaded by loan seekers.

Fresh look may also be needed at some of the tax-related, interconnected issues impinging MSMEs, impacting their liquidity, and sometimes even resulting in tax on tax. Some of the issues taken up by FICCI can illustrate it.

① Rationalising the proposal under section 194-O and 206-C  
 The finance Act 2020 has inserted a new section 194-O  
 in the IT Act relating to payment by an e-commerce  
 operator to an e-commerce operator to deduct 1% of the  
 sale of 1% of the gross amount.

→ Utilising seller database already available with the  
 Goods and Services Tax Network (GSTN).

Under the GST law, e-commerce platforms have already  
 been deducting and depositing tax - tax collected at source  
 from sellers at the rate of 1% of net sales consideration.

It is mandatory for all online sellers to have GST registration.  
 → changing base for TDS calculation from gross to net  
 sales consideration.

② Inclusion of section 206-C(1)(b) in the Income tax Act 1961  
 The finance Act 2020 has added a new clause, (b) in  
 section 206-C in IT Act that every seller who receives sales  
 consideration for goods exceeding ₹ 10 lakh in previous year shall  
 collect from buyer a TDS of 0.1% of sale consideration exceeding ₹ 10 lakh.

The data collected on sellers through TDS collected by operators,  
 along with data on sellers under expanded scope of section 206-C  
 could be a sufficient measure for IT authorities. Hence Govt might  
 consider not implementing 206-C (b) to enhance the ease of doing  
 business without any adverse impact.

### Conclusion

We are in the midst of a lifetime opportunity to transform our MSME  
 sector and making them globally competitive. A focused removal  
 of various ~~regulatory~~ regulations impinging could help enable  
 sector to reduce regulatory chafes.