

## **THE GOVERNMENT SHOULD REDUCE CORPORATE TAX RATE, OPINES MR. KALANTRI**

**Sharing his views on the economic viability of MSMEs amid the ongoing COVID-19 crisis, Mr. Vijay Kalantri, Vice Chairman, MVIRDC World Trade Center Mumbai suggests measures to minimize the adverse impact of the crisis on MSMEs. Following are some of his observations:**

### **Assessment of the economic outcome of COVID-19 on India**

The pandemic COVID-19 has severely impacted investment sentiments and business operations of all organizations, large or small, the world over. An already ailing Indian economy is no exception. The 21-day lockdown and the uncertainty thereafter, has pushed ratings agency Moody's to downsize India's economic growth estimation to an almost three-decade low of 2.5% during 2020. The MSME and informal sectors will be the worst-hit by the ensuing recession, and the estimated loss to the economy will be to the tune of USD 640 million.

### **Relief measures announced by the FM and RBI insufficient to address the problem**

While the fiscal and monetary relief packages announced by the government and RBI are welcome, these will surely not be enough. At a time when many nations are announcing stimulus packages equivalent to about 5%-10% of their GDP, our relief packages are clearly short of expectations. Moreover, while the fiscal measures will have a direct impact in terms of easing the woes of the people, the monetary policy measures will take time to percolate.

### **Challenges faced by MSMEs**

After the lockdown ends and MSMEs resume operations, they will face a severe liquidity crunch due to loss of revenue during the lockdown period and payments outstanding from debtors. Further, they will be burdened with payments of GST, TDS, statutory dues such as PF and ESI, and ongoing business expenses such as rent, salaries and wages, electricity, telephone and internet charges, property tax, water tax etc.

MSMEs are demanding waiver of penalty and compounded interest on delayed payment of loan EMIs to banks and other government dues. Further, they want prompt transmission of the liquidity enhancement measures announced by the RBI.

### **Measures to ease the problems of MSMEs**

With limited business activity happening, but fixed costs like rent, interest and salaries mounting, the government should reduce the corporate income tax rate to 15% for all companies, and not just new companies, as also reduce GST rates by 3%. Apart from the three-month moratorium announced on payment of EMIs for term loans, banks should reduce interest rates on existing MSME loans to 5%, at least for a period of six months, and the loss thus incurred by banks should be subsidized by the government.

Banks and other financial institutions should also extend the period of working capital loan repayment by three months; and delayed payment charges on loans and government dues should be waived. Apart from this, payment of electricity charges, municipal taxes and other operational expenses, other than salaries, should be deferred. Further, on the lines of an average 8% reduction in electricity tariffs for the next five years, announced by the Maharashtra government, other state governments should follow suit.

## **Suggestions for addressing problems faced by exporters**

Although port and shipping services are considered essential services, these are not operating at their full capacity, resulting in delays of export shipments. The government should, therefore, consider online application and issuance of all export-related documents to remove procedural hurdles and mitigate losses faced by exporters.

## **COVID-19 fallout on international trade may benefit India in the long run**

Countries may now stop relying on concentration of imports from a few countries, even if it means paying a slightly higher price for their imports. Further, as global supply chains get disturbed and challenges emerge to realign them, it can open a window of opportunity for India in terms of export possibilities if it improves on its competitiveness and ease of doing business indices, and thereby attract higher foreign investment. MSMEs should encash the various schemes offered by the government to build the 'Make in India' brand and enhance their export-intensity.

### **NOTIFICATIONS**

#### **DGFT**

- [Extension of Foreign Trade Policy](#)
- [Amendment in import policy of iron and steel](#)
- [Extension of Hand Book of Procedures 2015-2020](#)
- [Implementation of the Track and Trace system](#)

#### **Press Information Bureau, Government of India**

- [Relaxations on compliances to be met by units / developers / co-developers of SEZ](#)
- [IBBI amends CIRP Regulations](#)
- [Exchange Rate Notification](#)
- [SEBI relaxes guidelines for default recognition](#)

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