

WTC Mumbai welcomes Atmanirbhar Bharat Package 3.0

Government should ensure payment of MSME dues by large companies under IBC

MVIRDC World Trade Center Mumbai welcomes the 12 policy measures announced by the Hon'ble Finance Minister under the 'Atmanirbhar Bharat 3.0 package' today. These measures rightly provide thrust on unemployed workforce, MSMEs, housing and real estate sectors, which were hit the hardest by the COVID crisis.

Speaking about the stimulus package announced today, **Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai** said, "Private consumption and investment, which are the major drivers of economic activity, needs to be stimulated for a sustained economic recovery. The measures announced today will stimulate consumption as they are designed to create employment opportunities for migrant workers, unemployed workforce and infuse liquidity into MSMEs. The extension of Production Linked Incentive scheme for 10 more sectors will promote India's global competitiveness in these identified sectors."

"We are confident that these measures will provide further momentum to the economic recovery that is taking shape in recent months with the gradual unlocking of economic activities across the country," Ms. Naik added. After contracting a whopping 23.9% in the first quarter of 2020-21, the Indian economy is predicted to contract at a much slower rate of 8.6% in the September quarter, according to the Economic Activity Index of the RBI.

As a sign of recovering economic activity, the GST collection in the month of October surpassed Rs. 1 lakh crore mark for the first time in the current financial year. Also, the unemployment rate has fallen drastically from as high as 23.5% in April 2020 to 7% in October 2020, according to data from the CMIE. The government's incentives for employment creation under the Aatmanirbhar Bharat Rozgar Yojana will encourage MSMEs to hire more workers with monthly wages less than Rs. 15,000. Other measures such as provision of additional 20% credit to borrowers in 26 stressed sectors, waiver of Earnest Money Deposit (EMD) for government contractors and launch of debt platform for infrastructure financing are excellent moves to stimulate economic growth.

In the coming months, the government can also consider the following measures to address some of the challenges faced by the industry. The government has provided income tax relief to home buyers and real estate developers by enhancing the differential between circle rate and agreement value to 20% from the existing 10%. The move will reduce the tax burden on new home buyers and thereby increase sale of residential properties. In future, all state governments should revise the circle rates in their areas to reflect the downward movement in real estate prices in the aftermath of the COVID crisis.

Currently, there are no rules under the Insolvency and Bankruptcy Code for winding up of loss making proprietorship or partnership firms, as it exists for the corporate sector. The government should frame rules or mechanism for winding up of these firms, as it will benefit thousands of sick proprietorship or partnership firms.

Lastly, there is a need to ensure payment of dues of MSMEs by large firms that have gone into insolvency or that are likely to go into insolvency proceedings under the IBC code. Currently, under the waterfall mechanism of the IBC code, MSME suppliers are treated as sundry creditors and repayment of their dues happens after meeting the dues of financial creditors. In this circumstance, the government should evolve a mechanism where the dues of MSME suppliers owed by large companies that are facing or likely to face insolvency proceedings is paid under the insolvency and bankruptcy code.

Notifications

PIB

Details of Aatmanirbhar Bharat Package 3.0

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1672260>

CBIC

Exchange rate notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt106-2020.pdf>

DGFT

New Foreign Trade Policy – Inviting Suggestions

<https://content.dgft.gov.in/Website/dgftprod/1646974a-9a30-4f32-b5da-ecbd898ba561/Trade%20Notice-34-12.11.2020.pdf>