

Udyam Registration necessary for availing government sops

The Government of India recently amended the Insolvency and Bankruptcy Code through an Ordinance with the objective of providing a pre-packaged resolution scheme for MSMEs. Under this insolvency framework, a stressed borrower can prepare a plan for either settlement to secured creditors or resolution, including the sale of the company to an investor, before going to the IBC court.

The scheme is expected to yield faster resolution than the existing corporate insolvency resolution process and reduce costs and litigation. While it helps the MSME borrower retain control of the enterprise till a settlement is reached, the borrower can also get back control of the firm, either through a one-time settlement or by negotiating with the lender to restructure the loan through elongation of the repayment period or reduction of interest rate, etc.

In March 2021, the Supreme Court had ordered a waiver of compound interest for all borrowers that availed a loan moratorium between March-August 2020 under the RBI's Covid-related relief measures. While these measures will help MSME borrowers who have been significantly hit by the Covid-19 crisis, the sector is still dealing with a liquidity crisis owing to delayed payments, high default risks, supply chain disruptions and shortages of labour.

Moreover, the MSME registration process under Udyog Aadhaar Number or Enterprise Memorandum has become invalid since April 1, 2021. Of the estimated seven crore MSMEs in India, over one crore MSMEs had registered on the Udyog Aadhar portal, of which only about 26 lakh MSMEs have migrated and registered under the new 'Udyam Registration' system.

This will hurt MSMEs as only those MSMEs registered under 'Udyam Registration' are eligible for government sops such as interest rate subsidy on bank loans, tax exemption, concession in electricity bills etc. While having an Aadhaar number is mandatory for entrepreneurs under Udyam Registration, GST registration is exempted for those units who are not eligible for the same.

The government has also integrated the Trade Receivables Electronic Discounting System and the Government e-Marketplace platform with the Udyam Registration system, and MSMEs can take advantage of the same.

At a time when MSMEs are struggling to stay afloat the slowdown induced by the Covid-19 crisis, taking cognizance of the schemes announced in their favour can help them mitigate the adverse impact of the crisis.

Notifications

PIB

India-Netherlands Virtual Summit

<https://pib.gov.in/PressReleasePage.aspx?PRID=1710489>

Copyright (Amendment) Rules, 2021 notified

<https://pib.gov.in/PressReleasePage.aspx?PRID=1710417>

Jal Jeevan Mission: State-Wise Planning Exercise Begins

<https://pib.gov.in/PressReleasePage.aspx?PRID=1710428>