

Bill No. 102 of 2018

THE MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT (AMENDMENT) BILL, 2018

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BILL

to amend the Micro, Small and Medium Enterprises Development Act, 2006.

BE it enacted by Parliament in the Sixty-ninth Year of the Republic of India as follows:—

1. (1) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2018. Short title and commencement.

5 (2) It shall come into force on such date as the Central Government may by notification in the Official Gazette, appoint.

27 of 2006. 2. In the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as the principal Act), in section 7,— Amendment of section 7.

(a) for sub-section (1), the following sub-sections shall be substituted, namely:—

10 65 of 1951. “(1) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951, the Central Government may, for the

purposes of this Act, by notification and having regard to the provisions of sub-sections (4) and (5), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called, engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, or engaged in providing or rendering of services, as—

(i) a micro enterprise, where the annual turnover does not exceed five crore rupees;

(ii) a small enterprise, where the annual turnover is more than five crore rupees but does not exceed seventy-five crore rupees;

(iii) a medium enterprise, where the annual turnover is more than seventy-five crore rupees but does not exceed two hundred and fifty crore rupees.

(1A) The Central Government may, by notification, vary the turnover limits, which shall not exceed thrice the limits, specified in sub-section (1) for the purposes of development of micro, small and medium enterprises.”;

(b) in sub-section (9),—

(i) for the words “criterion of investment”, the words “criterion of annual turnover” shall be substituted;

(ii) for the words “as part of small enterprises”, the words “as part of small and medium enterprises” shall be substituted.

Amendment of section 14.

3. In section 14 of the principal Act, in sub-section (2), the words, brackets and figure “sub-section (1) of ” shall be omitted.

STATEMENT OF OBJECTS AND REASONS

The Micro, Small and Medium Enterprises Development Act, 2006 (the said Act) was enacted to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises. The said Act, *inter alia*, provides for classification of the enterprises as micro, small or medium based on their investment in plant and machinery or equipment. Over a period of time, it has been felt necessary to change the criteria for the classification in order to align it with the need of current times and changing business ecosystem.

2. In the course of consultation with various stakeholders, it has been noted that the criterion of investment in plant and machinery or equipment entails physical verification having associated transaction costs. It also incentivises the tendency in the promoters of the enterprises to keep the investment size small in a particular business entity in order to retain the benefits associated with micro or small enterprises category. While evaluating various alternatives, it has been considered appropriate that if the annual turnover is taken as a criterion for classification, the information available with goods and services tax network and other sources can be used for determination of the category of the enterprises. Overall, the turnover based classification will promote the ease of doing business and will put in place a non-discretionary, transparent and objective classification system.

3. In view of the above, it is proposed to amend section 7 of the Micro, Small and Medium Enterprises Development Act, 2006 to—

(a) provide for change in the criterion of classification of micro, small and medium enterprises from the existing criterion of investment in plant and machinery or equipment to a new criterion based on annual turnover of the enterprises; and

(b) confer power upon the Central Government to vary, the turnover limits, by notification which shall not exceed thrice the limits specified in sub-section (1) of section 7 for the purpose of development of micro, small and medium enterprises.

4. The Bill seeks to achieve the above objects.

NEW DELHI;
The 22nd March, 2018.

GIRIRAJ SINGH

MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-clause (a) of clause 2 of the Bill seeks to insert sub-section (IA) in section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, so as to confer power upon the Central Government to vary the turnover limits relating to the classification of micro, small and medium enterprises by way of notification.

2. The matters in respect of which the notification may be issued under the proposed legislation are matters of procedure or administrative details and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

ANNEXURE

EXTRACTS FROM THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

(27 OF 2006)

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CHAPTER III

CLASSIFICATION OF ENTERPRISES, ADVISORY COMMITTEE AND MEMORANDUM OF MICRO, SMALL AND MEDIUM ENTERPRISES

65 of 1951. 7. (1) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951, the Central Government may, for the purposes of this Act, by notification and having regard to the provisions of sub-sections (4) and (5), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called,— Classification of enterprises.

65 of 1951. (a) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, as—

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;

(ii) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

(b) in the case of the enterprises engaged in providing or rendering of services, as—

(i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

(ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Explanation 1.—For the removal of doubts, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

65 of 1951. *Explanation 2.*—It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951, shall be applicable to the enterprises specified in sub-clauses (i) and (ii) of clause (a) of sub-section (1) of this section.

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65 of 1951. 61 of 1956. (9) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 and clause (h) of section 2 of the Khadi and Village Industries Commission Act, 1956, the Central Government may, while classifying any class or classes of enterprises under sub-section (1), vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises

and include in such classification the micro or tiny enterprises or the village enterprises, as part of small enterprises.

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Administration
and utilisation
of Fund or
Funds.

14. (1) * * * *

(2) The Fund or Funds shall be utilised exclusively for the measures specified in sub-section (1) of section 9.

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LOK SABHA

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BILL

to amend the Micro, Small and Medium Enterprises Development Act, 2006.

(Shri Giriraj Singh, Minister of State for Micro, Small and Medium Enterprises)