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(सूक्ष्म, लघु और मध्यम उद्यम)
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By Speed Post/Spl Messenger/E-mail


No. E. 7(7)/2016.

Dated: 31st October, 2016

Sub: Minutes of the meeting with MSME Associations held on 14.10.2016 to discuss impact of GST on MSMEs.

A meeting with representatives of MSME Associations was held on 14.10.2016 under the chairmanship of Hon'ble Minister (MSME) to discuss impact of GST on MSMEs. Minutes of the above meeting is enclosed for your ready reference.

Encl.: as above.


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To:

1. PS to Hon'ble Minister (MSME)
2. PS to Hon'ble MoS (GS)
3. PS to Hon'ble MoS(HC)
4. PPS to Secretary (MSME)
5. PS to AS & DC (MSME)
6. Shri P.K Mohanty, JS, Department of Revenue
7. Shri Shashank Priya, ADG, DG (GST), Department of Revenue
8. JS (SME)
9. ADC (AK)
10. Shri Piyush aggarwal, DD(Policy)
11. Shri Mayur Gorekar, Asst. Secretary
12. Shri Kshitij Singhal, Asst. Secretary
13. All members/participants of MSME Associations.

Minutes of the meeting on impact of GST on MSMEs held on October 14, 2016 at 11.00 a.m. at Bal Sahyog, Connaught Place, New Delhi.

Hon'ble Minister, MSME, chaired a meeting wherein issues related to impact of Goods and Services Tax on MSME were discussed. The meeting was attended by Hon'ble Mos(GS) , Hon'ble MoS(HC), MSME Associations, officials of Ministry of MSME and Ministry of Finance. List of participants is enclosed at Annex.

2. Hon'ble Minister(MSME) in his opening remarks stated that GST is a landmark legislation to accomplish the vision of one nation, one tax. Policies of the GST Law are still work in progress. There are apprehensions and doubts in the minds of MSMEs on various provisions of the GST law. The meeting, therefore, has been convened to know the concerns and the way forward. Hon'ble Minister also urged MSME Associations to take up Swachch Bharat Abhiyan more aggressively and with determination and commitment.

3. Secretary, MSME, welcomed the participants and invited them to participate in the National Award function being organised at Ludhiana on October 18, 2016 wherein two schemes will be launched by Hon'ble Prime Minister. As regards the impact of GST on MSMEs, he advised the associations to focus on two sets of issues, i.e. (i) aspects/concerns that Ministry of Finance must consider while finalising the provisions of the GST Law and (ii) procedural aspects about which there is lack of clarity as of now. Thereafter, he requested Associations to express their views and suggestions.

4. The major issues highlighted by Associations are as follows:-

- (i) The present threshold for Small and medium industries for registration and liability to pay excise duty is Rs.1.5 Crores. Under the proposed law, this threshold would be reduced to Rs.20 lakhs. Resultantly, many Small enterprises would now be charged GST which would lead to increase in the cost of the goods sold and reduce competitiveness.
- (ii) The GST Bill suggests that CENVAT credit will not be allowed to the receiver if the supplier does not pay GST. This provision should be

omitted. CENVAT credit of all GST Taxes should be allowed. Since one tax is related to central Government and another to State Government, the adjustment can be done at Government level.

- (iii) The GST Bill mentions that CENVAT credit will not be allowed after September 30 of next year. It was suggested that the time limit for taking the credit should be linked to time limit for passing of the order under Section 51.
- (iv) GST tax should not be payable on the advance receipt of the money.
- (v) The provision of audit by tax authority should be done away with.
- (vi) No tax should be levied on stock transferred and receipt of goods by agent.
- (vii) Multiple registration and multiple returns should be done away with and should be replaced with single registration and single return. Multiple registrations and returns would lead to increase in compliance costs.
- (viii) The prosecution provisions are stringent and need to be revisited.
- (ix) The GST rate should not be more than 18%. Further, endeavour should be made to have similar rates for similar goods. Otherwise, it will lead to classification issues.
- (x) While deciding tax rates on different commodities, endeavour should be made to have similar rates for similar goods.
- (xi) There should be single assessment/audit by either centre or state authorities for units with turnover of Rs. 5 crore. Assessment and control be exercised by state tax authorities. For units with turnover of more than Rs. 5 crore, Central Government may exercise control.
- (xii) The Biodiversity Cess collected under Biodiversity Act 2012 should be subsumed in GST.
- (xiii) The definition of capital goods should include computers, peripherals, generators and other direct and indirect goods capitalised by enterprises.
- (xiv) Penal provisions involving imprisonment will dampen the spirit of entrepreneurship and will go against the philosophy of ease of doing business.
- (xv) Rate of interest for the delay in payment of tax be kept at par with prime lending rate.

- (xvi) The period of three months provided for audit of records should be reduced to 15 working days.
- (xvii) The procedure for dealing with refund claims and interest on refund claims should be simplified.
- (xviii) The proposed provision for pre-deposit as a pre-condition for filing of an appeal would cause undue financial hardship to the industry. The requirement of pre-deposit should be limited only in case of appeal to the GST council and not before the First Appellate authority.
- (xix) Inter branch service rendered by one entity to another would be a taxable supply as per the Model GST law. This will create problem at the time of valuation of such services and will adversely affect the working capital requirement.
- (xx) Electricity should be brought within the purview of GST Law.
- (xxi) A GST Committee at the Centre with representation from industry be set up to facilitate transition to the GST framework.
- (xxii) The classification of goods and services followed for the Udyog Aadhar Memorandum(UAM) system is based on NIC classification while the GST follows HSM classification. Both should be harmonised.
- (xxiii) MSMEs should also be provided representation in the GST Council.
- (xxiv) Implementation of GST should be staggered so that MSMEs get the preparatory time to comply with the provisions of GST Bill and upgrade their IT infrastructure.
- (xxv) Clarity is required on imposition of GST on e-commerce retail outlets.

5. Representative of Ministry of Finance clarified several issues and concerns expressed by Associations. The major clarifications made included the followings:

- (i) Exemption limit : The present threshold for MSMEs for registration and liability to pay excise duty is Rs 1.5crore. However, several States have exemption limits which is around Rs 5 lacs and Rs 10 lacs. Raising of exemption limit from Rs 10 lacs to Rs 20 lacs led to exclusion of about over 50% of assess out of the tax net.
- (ii) Tax rate : Association was requested to provide tax rate details on as many goods as possible so that the government could take informed

decision while finalizing the tax slabs. This would also minimise classification issues.

- (iii) Registration : Registration can be cancelled either through own request or for non-compliance of provisions of the law. In the event of cancellation of registration voluntarily, it will take about a year before cancellation will be approved. This provision required reconsideration.
- (iv) Training to MSMEs : It was clarified that 300 Master Trainers and 1600 trainers have been trained so far. He also agreed with the suggestion that major credible Associations could also be associated in the training process and can become a medium to disseminate information on GST to MSMEs.
- (v) Stock transfer : He agreed with the suggestion that there is no rationale for payment of tax on the transaction value. He said that Ministry of Finance would revisit the provision relating to taxation of stock transfer.
- (vi) Penalty : He clarified that for minor breach the Model Bill does not provide for any penalty. Only in the case of major breach of law, penal provisions would be attracted. Further, he agreed that administrative orders could be issued to ensure that entrepreneurs are not unduly harassed by lower level tax functionaries.
- (vii) Audit provisions are in line with the WTO provisions.
- (viii) As regards exports, he clarified that 80% of refund would be provided immediately and remaining 20% would be paid on verification of claims.
- (ix) Area based exemptions have been replaced with transparent refund mechanism in the Model GST Bill.
- (x) Credit of tax can be availed of if and only if goods have been supplied.
- (xi) The GST Bill provides for reversal of input tax credit in the case of free samples and similar such schemes.
- (xii) It was clarified that tax audit would not be done by Central Tax authority and State Tax authority separately for CGST and SGST component respectively. Rather, Central Tax authority would also assess and audit SGST part and State Tax authorities, while assessing SGST portion would also audit CGST portion of the tax. This will ensure that entrepreneurs are not subjected to repeated tax audit by different agencies.

6. Hon'ble Ministers of State(MSME), in their concluding remarks, thanked the Associations for their valuable suggestions. They also thanked Ministry of Finance for detailed clarification. Hon'ble Ministers urged MSMEs to be prepared for the technological transformation which is unfolding.

7. The meeting concluded with a vote of thanks to the Chair.

List of ParticipantsMeeting on Impact of GST on MSMEs held on October 14, 2016

S.No	Name	Organization
A	Ministry of MSME	
1.	Shri Kalraj Mishra	Minister (MSME)
2.	Shri Giriraj Singh	MoS (MSME)
3.	Shri Haribhai P. Chaudhary	MoS (MSME)
4.	Shri K.K. Jalan	Secretary
5.	Shri S.N. Tripathi	AS & DC
6.	Shri Manoj Joshi	JS, SME
7.	Shri Arun Kumar	ADC
8.	Shri Rajendra Pathak	DD (EA)
9.	Shri Piyush Aggrawal	DD (Policy)
10.	Shri Mayur Gorekar	Assistant Secretary
11.	Shri Kshitij Singhal	Assistant Secretary
B	Department of Revenue, Ministry of Finance	
12.	Shri P.K. Mohanty	JS, M/o Finance
13.	Shri Shashank Priya	ADG, DG (GST)
C	MSME Associations	
14.	Shri Debashkhis Banopadhaya	FISME
15.	Shri Anil Bhardwaj	FISME
16.	Shri Vibhu Jhand	NASSCOM
17.	Shri Jatindra Pareek	IIA
18.	Shri Sanjay Bhatia	FICCI- CMSME
19.	Shri Hemant Seth	FICCI- CMSME
20.	Shri Ved Prakash Sharma	Sanskrik Samvad
21.	Shri Mahabir Singh	Hind Prahari
22.	Shri S.Pandita Raj	FASSI
23.	Shri Ashok K. Gandhi	AICOSMIA
24.	Shri V.K. Bhadari	AICSMIA
25.	Shri Vipin K. Jain	M.P. Small Scale Industries organization
26.	Shri Sanjay Dalmia	Federation of Jharkhand Chambers of Commerce & Industry, Ranchi
27.	Shri Dhruv	All India Federation of Industry, Noida
28.	Shri Pankaj Gupta	Industries Association of Uttarkhand
29.	Shri Aashish Aggarwal	The Toy Association of India
30.	Shri Pramit	All India Association of Industries
31.	Shri Venkita Subramanomk	All India Association of Industries
32.	Shri Sudhir Kumar	All India Association of Industries
33.	Shri Sanjiv Dangi	DICCI
34.	Shri V. Sundaram	CODISSIA
35.	Shri Dheeraj Srivastava	Deloitte Haskins & Sells LLP
36.	Shri Aanad Thakur	KEI Industries Through IEEMA
37.	Shri Archana Sharma	World Association for SME
38.	Smt Anju Bajaj	PHD Chambers of Commerce & Industry

39.	Shri K.K. Sinha	Chetana Janhit Society Editor Desh ke Awaz
40.	Shri Raj Dev Vishwkarma	Purwanchal
41.	Shri Arpit Mittal	ZUB
42.	Shri R.S. Joshi	FINER
43.	Dr. Avinash K. Dalal	AIMA MSME, Mumbai
44.	Shri Mithilish	PHD Chamber of Commerce & Industry
45.	Shri Bimal	PHD Chamber of Commerce & Industry
46.	Shri Vishwa Nath	PHD Chamber of Commerce & Industry
47.	Shri Sudarshan Sareen	AICOSMIA
48.	Shri Gopal K. Kotwalwala	AICOSMIA
49.	Shri Sanjay Dwivedi	Chamber of Small Industries Association
50.	Shri Umesh Dwivedi	Pitampur Sangathan Indore
51.	Shri Adarsh Kumar	IEEMA
52.	Shri Sudeep Sarkar	Indian Electrical & Electronics Manufacturers Association
53.	Shri Atul Jain	Market Bills
54.	Shri Anuj Modi	Market Bills
55.	Shri Jitender Gogna	Gogna Enterprises