



## Government Reliefs: Response to Covid19

While the best way to beat the pandemic was to restrict movement through a nation-wide lockdown, it did contain the virus to some extent but has put a dent in the economy triggering recession—one that is deepest since Second World War. Massive business shutdowns & layoffs could have become the “new normal” had the Indian Government and RBI not intervened and announced certain relaxations & measures to revive economy. While some of such measures aim to ease the compliance burdens, many target sustaining the liquidity flow for the citizens/businesses.

Whereas the Government has announced various reliefs for the common man including availability of free food and subsidies, in this article we would focus majorly on key financial & tax related relaxations brought to help businesses. When we are in the middle of unlocking the economic activities, it is imperative to understand the intricacies of the key relief measures announced in order to avail them judiciously, as provided below:

**A. RBI moratorium-** RBI has allowed the banks to provide an option to borrowers to avail a moratorium on loan EMIs from March-August 2020. It applies not only to business loans but also to car loans & home loans. Borrowers who had availed overdraft facility can also delay payment of interest during this period. Many banks would be offering conversion of this interest on OD into a Funded Interest Term Loans, to be repayable in instalments.

**B. Loans -** Three loan schemes have been launched to provide relief to MSMEs, as follows:

- 1. Collateral free automatic loan:** The MSMEs with a turnover of upto Rs. 100cr and borrowing upto 25cr will be eligible to borrow upto 20% of their outstanding credit as on 29<sup>th</sup> feb 2020. No additional security will be required for this as these loans have been guaranteed by the govt. It is also been presented as an automatic loan—where negligible documentation would be required to put it to action. Loans will have a tenure of 4 years and a moratorium of 1 year for principal repayment. The govt has earmarked 3 lakh crores for this category.
- 2. Subordinate debt for stressed MSMEs:** In another interesting scheme, banks will be lending to promoters of the stressed or NPA entities who will in turn infuse that money in their entity as equity. Govt has earmarked Rs. 20,000 cr for this scheme. This scheme is likely to benefit two lakh MSMEs. The government will also provide support of Rs 4,000 crore to Credit Guarantee Fund Trust for Micro and Small Enterprises (GTMSE).
- 2. Equity infusion through Fund of Funds :** In this innovative scheme, govt will be creating a fund of fund with an initial corpus of Rs. 10,000 cr which will be used to invest in MSMEs with growth potential and viability. Fund structure will help leverage Rs 50,000cr of funds at daughter funds level.

Hence you get collateral free loans as well as remarkably low interest rates on these schemes. Since so many schemes are being announced for MSMEs, it was important that more & more entities get covered under MSME to be able to reap in the benefits. Therefore the definition for MSME has been revised to include manufacturing & service entities having investment in plant, machinery or equipment less than 50cr and turnover less than 250cr. Another interesting clause in the definition is that exports would not be considered while calculating this turnover.

**What are the other key benefits of MSME registration?** MSMEs have the benefit of securing their payments. If the clients do not pay within 45 days, a penal interest rate of three times the RBI rate is charged. Certain tenders are opened only for MSMEs so more business opportunities. Then there is a whopping 50% discount in patent registration fees. There are many more benefits such as electricity subsidies etc.

### C. Income Tax

**1. TDS/TCS-** Tax deduction /collection rates have been reduced by 25% since 14<sup>th</sup> May 2020 till 31<sup>st</sup> March 2021 therefore increasing liquidity in the market. Not only that but if TDS is deposited late till 30<sup>th</sup> June 2020, reduced interest rates @9% p.a. would apply. The due date for filing TDS return for last quarter of 2019-20 is moved to 31<sup>st</sup> July 2020. Further, the due dates for filing TDS returns for first & second quarter for FY 2020-21 has been moved to 31<sup>st</sup> March 2021.



**2. Compliance due dates** have been extended. For example, Income tax return for FY 2019-20 which was to be filed in July 2020 is now to be filed by Nov 2020. Self assessment tax can be paid late upto 30<sup>th</sup> Nov 2020 without interest u/s 234A. If it is more than 1 lacs, it has to be deposited by 31 July 2020. Due date for tax audits have been shifted to 31<sup>st</sup> October 2020.

For FY 2018-19, the due date for filing a belated Income Tax Return was 31<sup>st</sup> March 2020, it got extended to 30 June 2020 and then further to 31 July 2020.

**3. Tax saving Investments-Due** Dates for making investments such as LIC, Medclaim etc to claim benefit in the FY 2019-20 had been extended till 31<sup>st</sup> July 2020. For claiming capital gain exemption, capital bonds or property can be purchased till 30<sup>th</sup> Sept 2020.

**4. Appeals, assessments & other proceedings** which are due between 20.03.2020 to 31.12.2020 can now be filed upto 31 March 2021.

**5. Expedite Refunds-**To provide immediate relief, the government has given directions to immediately issue all the pending income-tax refunds of up to INR 50 Lakhs.

**6. Period of Vivad se Vishwas Scheme** for making payment without additional amount is extended to 31 Dec 2020

**7. Relief in respect of residency conditions** - Conditions for determination of the residential status for previous year 2019-20 has been relaxed. Prolonged period of stay, of individuals who have come to India on a visit before 22 March 2020, is to be excluded in certain situations such as quarantine requirements.

**8. Relief with respect to applications for lower/nil rate for tax deduction/collection-** Validity period and threshold limit of the lower/nil tax certificates for FY 2019-20 will extend till 30 June 2020. Where the taxpayer has neither made an application for FY 20-21 nor has any certificate been issued for FY 19-20, tax on payments made to non-residents having a PE in India will be deducted @10 % incl. surcharge and cess, on such payments till 30 June 2020, or disposal of their applications, whichever is earlier.

## D. GST –

1. Due date for **payment as well filing returns** for the month of June, July & Aug has been extended to end of September for tax payers having turnover less than 5Cr.
2. Due date for filing of **appeals, refund or any other proceedings** which falls between 29<sup>th</sup> March 2020 to 30<sup>th</sup> August 2020 has been extended to 31<sup>st</sup> August 2020.
3. **Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019-** Amount payable under the scheme has been extended till 30 June 2020
4. **Annual Return and GST Reconciliation Statement for FY 18-19** which was due by 31 March 2020 has been extended upto 30 September 2020.
5. **Relaxation to avail ITC:** Currently, the taxpayer is allowed to avail ITC of the amount appearing in GSTR-2A (i.e. invoices reported by the vendors in their returns). However, in respect of unmatched invoices, the ITC is restricted to 10% of matched invoices. Unmatched invoices are those invoices which have not been uploaded by the supplier in their GST returns. The said restriction has been relaxed for the tax period February 2020 to August 2020. However, taxpayer would be required to make a cumulative adjustment for the above months in the GST return of Sept 2020.

## E. Customs related relaxations

1. Primarily exporters importing goods under Advance Authorisation/Export Promotion Capital Goods scheme and imports made by an Export oriented unit, were granted **exemption from levy of IGST and Compensation Cess** up to 31 March 2020. The said exemption has now been extended till 31 March 2021.
2. The government has notified an **exemption from levy of both Basic Customs Duty and Health cess on import of Ventilators, face masks and surgical masks, personal protection equipment, COVID-19 testing kits and also on inputs used in the manufacture of these goods.**
3. Validity of all the **Authorised Economic Operator (AEO) certificate** expired or expiring between 1 March 2020 and 31 May 2020 has been extended till 30 June 2020.

**F. PF & ESI-** 1. For the months of March, April & May 2020, **govt would pay both employer & employee PF contribution.** But there are caveats here. It applies only to organisations which have less than 100 employees and more than 90% of such employees have income less than Rs. 15000.

2. For the months of May June & July, **contribution to be made to PF has been reduced from 12% to 10%.** This in most cases mean more take-home-salary for employees.
3. For liquidity, **employees can claim a non-refundable EPF advance** equivalent to 3 months salary or 70% of amount outstanding in the PF account whichever is lower.
4. **Due date for payment & return filing in EPF** extended for the month of March 2020 to 15<sup>th</sup> May 2020, for the month of April 2020 to 15<sup>th</sup> May 2020 and for the month of May 2020 to 15<sup>th</sup> June 2020.
5. **Due date for payment of ESIC contribution** extended for both February, 2020 & March, 2020 months to 15<sup>th</sup> May 2020. Due date of filing of ESIC return for the period of October, 2019 to March, 2020 has been extended till 11<sup>th</sup> June, 2020 from 11<sup>th</sup> May, 2020.

Hence, the government has made a number of relaxations/measures in order to ease compliance burden as well as build liquidity support. Such measures should be appropriately availed by business owners as they can be game changers for many while they sail through the tough waters.