

CII seeks comprehensive package in Budget

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The Confederation of Indian Industry has called for a comprehensive package for micro, small and medium enterprises to unshackle their growth potential. As part of its pre-Budget recommendations to the government, CII outlined a 16-point agenda for the MSME sector.

Mr Chandrajit Banerjee, director general of CII, said the MSME segment could emerge as a driver of economic growth if several key issues are addressed.

CII has recommended that the new Direct Tax Code, which is slated to offer invest-

ment-linked tax incentives, should instead link tax rates to employment. This approach, espoused by many countries, would create more jobs and also help MSMEs, which have limited capital investments and are employment-intensive.

The issue of delayed payments to MSMEs can be dealt with by applying interest on payments beyond the 45 days stipulated in the MSME Development Act, it suggested, adding that facilitation councils formed under the Act should have greater authority. Mandatory factoring could also address the issue, CII said.

It came out in favour of implementing the public procurement policy, recommend-

ing that large industry should be entitled to tax benefits if transactions with MSMEs are completed within 45 days. The policy mandates that public sector enterprises should purchase 20 per cent of their goods and services requirements from MSMEs.

Phase-out of tax benefits under Sec 10A and 10B of the Income Tax Act under the STPI scheme should be re-examined, as their proposed withdrawal would adversely affect more than 5,000 small-scale software and IT services companies, the industry association said.

It also called for raising the threshold for service tax exemption, which is currently ₹10 lakhs, to ₹25 lakhs.

To encourage technology adoption by MSMEs, it suggested granting of 100 per cent depreciation once in a block of three financial years for annual investment of Rs 25 lakhs in IT equipment and software.

The association said a venture capital fund of ₹10,000 crores under public-private partnership mode is needed to promote first-generation entrepreneurs and greenfield investments.

In order to improve MSMEs' overall access to funds, CII suggested that a working group of the Reserve Bank of India and credit rating agencies should work out a uniform credit rating format and processes.