

Union Budget 2012-13: A mixed bag for MSMEs
‘Extending MAT Coverage on Proprietorship & Partnership firms to
adversely affect 97% of MSMEs’

The Micro, Small and Medium Enterprise sector has termed the Budget 2012-13 as a mixed bag. While raising the turnover limit for compulsory audit from Rs. 60 lakh to Rs 1 crore has been widely welcomed, the extension of Minimum Alternative Tax (MAT) on proprietorship and partnerships firms is being termed as troublesome.

“With 97% of MSME being proprietorship and partnership firms, extension of MAT on MSMEs will make capital formation and subsequent raising of funds even more difficult for them,” according to V.K. Agarwal, President of Federation of Indian Micro and Small & Medium Enterprises (FISME).

“The Finance Minister stopped at highlighting the importance of manufacturing and has taken but only a few ad-hoc measures to demonstrate his willingness in following-through the promise. The Budget just made passing remarks on the GST, National Manufacturing Zones, SME Exchange, 20% mandatory procurement from MSMEs in public procurement etc. According to FISME, he needed to take a strategic view by having a investment friendly import duty structure, especially after prolonged and substantive discussions in the Planning Commission with stake holders on how to boost manufacturing,” President FISME said.

On the access to equity funds by MSMEs, FISME welcomed exempting capital gains tax on sale of a residential property if the sale consideration is used for subscription in equity of a manufacturing SME company for purchase of new plant and machinery and creation of Rs. 5000 crore fund for equity support. The decision to extend the weighted deduction of 200 per cent for R&D expenditure in an in-house facility beyond March 31, 2012 for a further period of five years was well received too.

FISME also welcomed higher duty protection given to cycle and cycle parts manufacturers reeling under onslaught of cheap imports and noted that many labour intensive sectors need support through strategic use of import duties and NTBs. Similarly, reduction in duties for inputs of industries such as Paper, Medical devices etc would also prove beneficial.

FISME particularly lauded the decision to use technological platform for disbursement of subsidies as large scale leakage has been reported in their delivery process.