

## **NDA Update – Criteria for classification and registration of Micro, Small & Medium Enterprises**

Ministry of Micro, Small & Medium Enterprises has issued a notification [S.O. 2119(E)] on 26-06-2020 specifying certain criteria for classifying the enterprises as micro, small and medium enterprises and the form and procedure for registration (hereafter referred to as Udyam Registration) with effect from 01-07-2020.

### **Criteria for classification of enterprises**

<b>Type of Enterprise</b>	<b>Criteria</b>	<b>Remarks</b>
Micro Enterprise	Investment in plant and machinery or equipment does not exceed Rs 1 crore and turnover does not exceed Rs 5 crore	For classification of an enterprise, both the criterion of investment in plant and machinery and turnover has to be fulfilled.
Small Enterprise	Investment in plant and machinery or equipment is more than Rs 1 crore but does not exceed Rs 10 crore and turnover is more than Rs 5 crores but does not exceed Rs 50 crores	
Medium Enterprise	Investment in plant and machinery or equipment is more than Rs 10 crores but does not exceed Rs 50 crores and turnover is more than Rs 50 crores does not exceed Rs 250 crores.	

If an enterprise is having multiple locations with multiple Goods and Services Tax Identification Number (GSTIN) under the same PAN, all locations shall be treated as one enterprise and their aggregate investment / turnover shall be considered to ascertain the category of an enterprise.

### **Calculation of investment in plant & machinery or equipment**

- The value as per ITR shall be considered. In case of new enterprise having no prior ITR, self declaration will be sufficient. This relaxation will cease to exist on filing of the first ITR.
- In case of new enterprise without ITR, purchase value excluding GST shall be taken while making self declaration.
- Cost of pollution control equipments, R&D assets, industrial safety devices etc shall be excluded.

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### **Calculation of turnover**

- While calculating the turnover for the purpose of classification, exports of goods or services or both, shall be excluded.
- Turnover or export turnover shall be considered as declared in ITR and GST return(s).
- The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

### **Registration Process for existing enterprise**

- Existing registered enterprises to be registered again on the Udyam Registration portal on or after 01-07-2020.
- Reclassification according to the new criteria to be done for the enterprises registered up to 30-06-2020.
- Existing registration done prior to 30-06-2020 shall be valid till 31-03-2021 only.

### **Registration Process for new enterprise**

- Online application at Udyam Registration portal. No fee shall be payable for registration. No need to upload any document, certificate, proof etc. Self declaration shall be sufficient.
- Aadhar number shall be mandatorily required
- Aadhar number of proprietor (in case of sole proprietor firm), managing partner (in case of partnership firm), Karta (in case of HUF) and authorized signatory (in case of company. LLP, Cooperative society, trust) shall be provided. The enterprise or its authorised signatory shall also provide its GSTIN and PAN in case of company. LLP, Cooperative society, trust,
- One registration for an enterprise irrespective of number of activities.
- On registration, an enterprise will be assigned a permanent identity number to be known as —Udyam Registration Number.
- Udyam Registration certificate in e-form shall be issued on completion of registration.

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### **Updation of information after registration**

- Online updation of information by the enterprises having Udyam Registration Number on self declaration basis in respect of ITR, GST Return for the previous financial year and such other information as may be prescribed within specified period failing which the Udyam registration of the enterprise will be suspended.
- The classification of the enterprise will be updated, if required, based on the information gathered from ITR or GST return.

### **Change in the Status after registration (graduation or reverse graduation)**

- If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category. For example, a small enterprise is having investment of Rs 9 crores in plant and machinery but its turnover reaches to Rs 60 crores, it will cease to be small enterprise and will be promoted to medium enterprise. However, the enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.
- No enterprise will be demoted to lower category unless both its investment and turnover go below the ceiling limits specified for its present category. For example, a small enterprise can become micro enterprise only if its investment fall below Rs 1 crore and turnover falls below Rs 5 crores. However, the enterprise will continue in its present category till the closure of the current financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

<http://egazette.nic.in/WriteReadData/2020/220191.pdf>