

Bill No. 85 of 2015

**THE MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT (AMENDMENT) BILL, 2015**

A

BILL

to amend the Micro, Small and Medium Enterprises Development Act, 2006.

BE it enacted by Parliament in the Sixty-sixth Year of the Republic of India as follows:—

1. (1) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2015.

Short title and
commencement.

(2) It shall come into force on such date as the Central Government may, by notification
5 in the Official Gazette, appoint.

27 of 2006.

2. In the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as the principal Act), in section 7,—

Amendment
of section 7.

(a) in sub-section (1),—

(i) in clause (a),—

(A) in sub-clause (i), for the words “twenty-five lakh rupees”, the words “fifty lakh rupees” shall be substituted;

(B) for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely:—

“(ii) a small enterprise, where the investment in plant and machinery is more than fifty lakh rupees but does not exceed ten crore rupees;

(iii) a medium enterprise, where the investment in plant and machinery is more than ten crore rupees but does not exceed thirty crore rupees;”;

(ii) in clause (b),—

(A) in sub-clause (i), for the words “ten lakh rupees”, the words “twenty lakh rupees” shall be substituted;

(B) for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely:—

“(ii) a small enterprise, where the investment in equipment is more than twenty lakh rupees but does not exceed five crore rupees;

(iii) a medium enterprise, where the investment in equipment is more than five crore rupees but does not exceed fifteen crore rupees;”;

(b) after sub-section (I), the following sub-section shall be inserted, namely:—

“(IA) The Central Government may, by notification, vary the investment limits, which shall not exceed thrice the limits, specified in clauses (a) and (b) of sub-section (I) for the purposes of development of micro, small and medium enterprises.”;

(c) in sub-section (9),—

(i) for the words “criterion of investment”, the words “criterion of higher investment” shall be substituted;

(ii) for the words “as part of small enterprises”, the words “as part of small and medium enterprises” shall be substituted.

Amendment of section 29.

3. In the principal Act, in section 29, in sub-section (3), for the words and figure “under section 9”, the words, brackets, figures and letter “under sub-section (IA) of section 7, section 9” shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was enacted to address policy issues affecting MSMEs as well as to classify the enterprises as micro, small or medium based on their investments in plant and machinery/equipments. The existing limits under the MSMED Act were fixed in 2006. Since then, there has been a significant increase in the price index and cost of inputs. There has also been a change in the business environment with many MSMEs becoming part of the domestic and global value chains. Hence, it is proposed to amend the MSMED Act to enhance the existing limit for investment in plant and machinery considering changes in price index and cost of inputs consistent with the emerging role of the MSMEs in various global value chains.

2. The MSMED Act, at present, states that the Central Government may, while classifying any class or classes of enterprises, vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises. These provisions enable the Central Government to classify micro or tiny enterprises or the village enterprises as part of small enterprises. The current proposal is to enable Central Government to classify micro or tiny enterprises or the village enterprises not only as small enterprises but also as medium enterprises. This may also be based on criteria of higher investment and also on consideration of criteria or standard in respect of employment or turnover of the enterprises. It will open the doors of growth to MSMEs and will enable them to go to next level of value chain.

3. Since the MSMEs are defined in the Act, any variation could be done only by way of an amendment. Considering the inflation and dynamic market situation, there is a need to periodically revise the criterion of investment. Revising the investment limits by way of notification will facilitate timely action. Hence, it is proposed to amend the MSMED Act to empower Central Government to vary by way of a notification, the investment limits, which shall not exceed thrice the limits, specified in clauses (a) and (b) of sub-section (1) of section 7 for the purposes of development of micro, small and medium enterprises.

4. The Bill seeks to achieve the above objects.

NEW DELHI;
The 18th March, 2015.

KALRAJ MISHRA

MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-clause (*b*) of clause 2 of the Bill seeks to insert sub-section (*IA*) in section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, so as to empower the Central Government to vary the investment limits relating to the classification of micro, small and medium enterprises by way of notification.

2. The matters in respect of which rules may be made under the proposed legislature are matters of procedure or administrative details and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

ANNEXURE

EXTRACTS FROM THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

(27 OF 2006)

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CHAPTER III

CLASSIFICATION OF ENTERPRISES, ADVISORY COMMITTEE AND MEMORANDUM OF MICRO, SMALL AND MEDIUM ENTERPRISES

65 of 1951. **7. (1)** Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951, the Central Government may, for the purposes of this Act, by notification and having regard to the provisions of sub-sections (4) and (5), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called,—

Classification of enterprises.

65 of 1951. (a) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, as—

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;

(ii) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

(b) in the case of the enterprises engaged in providing or rendering of services, as—

(i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

(ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Explanation 1.— For the removal of doubts, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

65 of 1951. *Explanation 2.*— It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951, shall be applicable to the enterprises specified in sub-clauses (i) and (ii) of clause (a) of sub-section (1) of this section.

* * * * *

65 of 1951. **(9)** Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 and clause (h) of section 2 of the Khadi and Village Industries Commission Act, 1956, the Central Government may, while classifying any class or classes of enterprises under sub-section (1), vary, from time to time, the criterion of investment and also

61 of 1956.

consider criteria or standards in respect of employment or turnover of the enterprises and include in such classification the micro or tiny enterprises or the village enterprises, as part of small enterprises.

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Power to make rules.

29. (1)* * * * *

(3) Every notification issued under section 9 and every rule made by the Central Government under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification or rule or both Houses agree that the notification or rule should not be made, the notification or rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that notification or rule.

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LOK SABHA

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BILL

to amend the Micro, Small and Medium Enterprises Development Act, 2006.

(Shri Kalraj Mishra, Minister of Micro, Small and Medium Enterprises)

LOK SABHA

CORRIGENDUM

to

**THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (AMENDMENT)
BILL, 2015**

[To be/As introduced in Lok Sabha]

1. Page 3, in line 4 of paragraph No. 2,-

for “enable the Central Government”

read “enable Central Government”.

NEW DELHI;

April 13, 2015

Chaitra 23, 1937 (Saka)