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Dear Members,

Sub: Ministry of MSME issues notification for MSME to continue to avail of all non-tax benefits of the category it was in before the re-classification, for a period of three years from the date of such upward change

The Ministry of Micro, Small and Medium Enterprises vide S.O. 4926 (E) dated 18.10.2022 (copy enclosed) has notified that in case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all non-tax benefits of the category it was in before the re-classification, **for a period of three years** from the date of such upward change.

2. This decision has been taken after due deliberations with MSME stakeholders and is in line with the Atmanirbhar Bharat Abhiyan. The Ministry of MSME, Government of India, has allowed those registered MSMEs to continue to avail of non-tax benefits for three years, instead of one year, in case of an upward graduation in their category and consequent reclassification. Non-tax benefits include benefits of various schemes of the Government, including Public Procurement Policy, Delayed Payments, etc.

3. The principal notification (copy enclosed) published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii) vide number S.O. 2119 (E), dated the 26th June, 2020 mentioned that - In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration.

4. The amendment made by S.O. 4926 (E) dated 18.10.2022 are as follows:

Earlier provision in S.O. 2119(E), dated the 26th June, 2020 under sub-paragraph (5) of paragraph 8.	Amendments made by S.O. 4926(E), dated the 18th October, 2022 after substitution sub-paragraph (5) of paragraph 8 in S.O. 2119(E), dated the 26th June, 2020.
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Para 8: Updation of information and transition period in classification:

Sub-para 5: In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till **expiry of one year** from the close of the year of registration.

Para 8: Updation of information and transition period in classification:

Sub-para 5: In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all non tax benefits of the category (micro or small or medium) it was in before the re-classification, **for a period of three years** from the date of such upward change.

5. AEPC's Circulars are available on AEPC's Website www.aepcindia.com

6. This is for your information please.

With regards.

Yours sincerely,

Dr. L. B. Singhal
Secretary General