

## Union Cabinet Approves Proposal for Changing MSME Classification

In its effort to reach out to the Micro, Small and Medium enterprises (MSMEs) and to improve the ease of doing business in the country, the Union Cabinet has recently approved the proposal for changing the criteria for the classification of MSMEs. As per the proposed classification, an enterprise producing goods or providing services will be categorized as micro, small and medium enterprises based on their annual turnover and not on the basis of investments in plant and machinery / equipment's as applicable currently.

**Following is the proposed classification.**

Classification	Existing <sup>1</sup> Based on Investment in Plant and Machinery / Equipment's		Proposed (Based on Annual Turn Over)
	Manufacturing Sector (Investment in Plant and Machinery)	Services Sector (Investment in Equipment's)	Common for both Manufacturing and Services Sector
Micro Enterprise	Upto INR 25 Lakhs	Upto INR 10 Lakhs	Upto INR 5 Crore
Small Enterprise	More than INR 25 Lakhs and less than INR 5 Crore	More than INR 10 lakhs and less than 2 crore	More than INR 5 Crore and less than INR 75 Crore
Medium Enterprise	More than INR 5 Crore and less than 10 crore	More than INR 2 crore and less than INR 5 Crore	More than INR 75 Crore and less than INR 200 Crore

The turn over based classification introduces a common classification both for manufacturing and services sector. Further, inspections were conducted to establish the actual investments under the previous definition, which will now be largely redundant, as it is based on turnover criteria. Government could rely on the available financial data / RoC filings and other similar information for validation of turnover.

NASSCOM welcome this move of the Government and will work with the Industry and Government to develop meaningful schemes for the IT SMEs.

A copy of the press note can be accessed from here:

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=176353>

For any feedback/concerns please write to us at [policyquery@nasscom.in](mailto:policyquery@nasscom.in)

<sup>1</sup> [http://dcmsme.gov.in/ssiindia/defination\\_msme.htm](http://dcmsme.gov.in/ssiindia/defination_msme.htm)