



India announces new economic package

On 12 May 2020, the Prime Minister of India announced the broad framework for a special economic relief package, which as per reports is equivalent to 10% of India's GDP, for 'Aatmanirbhar Bharat' or 'Self-Reliant India Movement' (the "**Economic Package**").

Pursuant to the announcement, the Finance Minister, from 13 May 2020 to 17 May 2020, provided further details regarding the strategic vision of the Economic Package in 5 tranches. The Finance Minister stated that the Economic Package has been prepared to cater to various sections of the Indian economy, including cottage industry, micro, small and medium enterprises (MSMEs), labourers, middle class and industries, and the measures indicate that the Government wishes to promote liquidity to assist in recommencement of economic activity and minimise the impact after the lockdown.

We have summarised the key features of the Economic Package.

(a) In relation to Insolvency and Bankruptcy Code ("Code"):

- (i) minimum threshold to initiate insolvency proceeding increased to INR 1 crore (10 million) from the previous INR 1 lakh (one hundred thousand),
- (ii) suspension of fresh initiation of insolvency proceedings up to one year depending upon the pandemic situation, and
- (iii) Government to have power to exclude COVID-19 related debt from the definition of 'default' under the Code for the purposes of triggering insolvency proceedings.

(b) Measures for ease of doing business:

- (i) direct listing of securities by Indian public companies in permissible foreign jurisdictions,
- (ii) private companies which list non-convertible debentures on stock exchanges not to be regarded as listed companies, this would reduce various compliances for such private companies, and
- (iii) reduced penalties for all defaults, under the Companies Act, 2013, by small companies, producer companies, one person companies and start-ups.

(c) Global tenders will not be applicable for Government procurements up to INR 200 crore (approximately INR 2 billion).

(d) Employees Provident Fund (EPF) support, pursuant to which 12% of employer and 12% of employee contributions was deposited by the Government into EPF accounts of eligible establishments from March 2020 to May 2020, has now been extended for the next 3 months, being June, July and August.



(e) Statutory provident fund contribution of both employer and employee reduced to 10% (from the existing 12%) for all establishments covered by EPFO for the next 3 months, i.e., June, July and August.

(f) Contractors working for Government agencies to get extension of up to 6 months (without any cost to the contractor) and partial release of bank guarantees by the Government to the extent of completion of contract to ease contractor's cash flow.

(g) Changes to the labour code for the benefit of the workers:

(i) universalisation of minimum wages (presently applicable to only 30% workers) and timely payment of wages to all workers, including unorganised workers,

(ii) introduction of a national floor wage to reduce regional disparities in minimum wage,

(iii) fixation of minimum wages simplified to reduce the number of rates of minimum wages and better compliance,

(iv) appointment letter to be provided for all workers to promote formalisation,

(v) the Code on Occupational Safety, Health and Working Conditions to be applicable to establishments engaged in work of hazardous nature, even if they have less than 10 workers,

(vi) employees state insurance (applicable to all establishments with 10 or more workers to provide various benefits to workers such as medical, sickness, maternity benefit), will now be applicable in all districts across India as against only those districts that were notified. Further, it would be applicable for establishments with 10 or less workers on voluntary basis and would be mandatory for hazardous industries,

(vii) social security scheme will be made for gig and platform workers, such as freelancers, independent contract workers and temporary workers, and

(viii) provision to be introduced for providing gratuity for permanent employment on completion of 1 year as against the current 5 year requirement.

(h) Scheme to be implemented for availability of industrial land for industrial parks, estates and SEZs.

(i) Policy reforms in the coal sector:

(i) private sector participation now allowed in the coal sector (including for exploration) where any party can bid for a coal block and sell in the open market which was earlier restricted to only captive coal mining,

(ii) nearly 50 blocks to be offered for auction without any eligibility but subject to upfront payment,

(iii) partial coal blocks would also be put up for auction as against current practice of full explored coal blocks, and

(iv) incentives and rebates in revenue share for coal gasification / liquefaction which has lower environmental impact to promote a gas based economy.



(j) Structural reforms for exploration in mineral sector:

- (i) introduction of a seamless composite exploration-mining-production regime,
- (ii) 500 mining blocks to be auctioned so as to increase private investment,
- (iii) to include joint auction of Bauxite and Coal mineral blocks to reduce Aluminium industry's electricity cost,
- (iv) removal of the distinction between captive and non-captive mines to allow transfer of mining leases and sale of surplus unused minerals to increase efficiency, and
- (v) stamp duty payable at the time of award of mining leases to be rationalised.

(k) Policy reforms for the defence sector:

- (i) the Government will notify a list of weapons / platforms for ban on import with year wise timeline and help in indigenisation of imported spares, and
- (ii) foreign investment limit in the defence manufacturing sector under automatic route (i.e. without any Government approval) to be raised from the current 49% to 74%.

(l) Measures in the aviation industry to include optimal utilisation of airspace to help reduce fuel usage, awarding more airports by way of PPP and rationalisation of tax regime for maintenance, repair and overhaul (MRO) ecosystem.

(m) Privatisation of power distribution (power departments / utilities) to be introduced in Union Territories of India to increase operational and financial efficiency.

(n) Government to boost measures for privatisation in space activities:

- (i) to provide level playing field for private companies in satellites, launches and space based services,
- (ii) to provide predictable policy and regulatory environment for private players,
- (iii) private sector to be allowed to use facilities and other relevant assets of ISRO,
- (iv) future projects for planetary exploration, outer space travel to be open for private sector, and
- (v) introduction of a more liberal geo-spatial data policy for providing remote sensing data to tech-entrepreneurs.

(o) Government to link India's start-up ecosystem with the nuclear sector and introduce reforms in atomic energy sector for establishing research reactor and facilities in PPP mode for production of medical isotopes and to use irradiation technology for food preservation to assist farmers.

(p) Various measures introduced for MSMEs, which include revision to the definition of MSME and provision to facilitate subordinated debt to stressed MSMEs.



(q) Direct tax related measures:

(i) income tax returns due date for the financial year 2019-20 to be extended to 30 November 2020,

(ii) tax audit dates for the financial year 2019-20 to be extended to 31 October 2020, and

(iii) tax assessments getting barred on 30 September 2020 and 31 March 2021 extended to 31 December 2020 and 30 September 2021.

(r) Public Sector Enterprises (PSEs) to be privatised except for specified PSEs.

The links for text of press releases and presentations in relation to announcements are available below:

(a) Text of press release issued by Press Information Bureau pursuant to announcements on 13 May 2020 - <https://pib.gov.in/PressReleasePage.aspx?PRID=1623601>

(b) Text of press release issued by Press Information Bureau pursuant to announcements on 14 May 2020 - <https://pib.gov.in/PressReleasePage.aspx?PRID=1623862>

(c) Text of press release issued by Press Information Bureau pursuant to announcements on 15 May 2020 - <https://pib.gov.in/PressReleasePage.aspx?PRID=1624153>

(d) Text of press release issued by Press Information Bureau pursuant to announcements on 16 May 2020 - <https://pib.gov.in/PressReleasePage.aspx?PRID=1624536>

(e) Text of press release issued by Press Information Bureau pursuant to announcements on 17 May 2020 - <https://pib.gov.in/PressReleasePage.aspx?PRID=1624661>

(f) Links of presentation on the announcements -

<http://164.100.117.97/WriteReadData/userfiles/Aatmanirbhar%20Presentation%20Part-1%20Business%20including%20MSMEs%2013-5-2020.pdf>

<http://164.100.117.97/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20presentation%20Part-2%2014-5-2020.pdf>



<http://164.100.117.97/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20Presentation%20Part-3%20Agriculture%2015-5-2020%20revised.pdf>

<https://static.pib.gov.in/WriteReadData/userfiles/AatmaNirbhar%20Bharat%20Full%20Presentation%20Part%204%2016-5-2020.pdf>

<https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20%20Presentation%20Part%205%2017-5-2020.pdf>

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