

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**LOK SABHA**

**UNSTARRED QUESTION NO. 2485**

ANSWERED ON MONDAY, 15<sup>th</sup> DECEMBER, 2025/ 24 AGRAHAYANA 1947 (SAKA)

**Mutual Credit Guarantee Scheme for MSMEs**

2485. SHRI DUSHYANT SINGH

Will the Minister of FINANCE be pleased to state:

- (a) the eligibility criteria and implementation framework of the Mutual Credit Guarantee Scheme for MSMEs along with the manner in which the scheme is expected to enhance financial inclusion and expand credit access for small businesses;
- (b) the safeguards instituted to prevent misuse, fraud or irregular claims under the said scheme;
- (c) whether any independent audit or oversight mechanisms have been established by the Government to ensure transparency and accountability for the said Scheme, if so, the details thereof; and
- (d) the details of the specific simplifications being introduced in the new Income Tax Act to reduce compliance burdens for small businesses and individual taxpayers and the manner in which these measures align with the broader objectives of tax reform and ease of doing business?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME) has been launched for providing 60% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facility upto Rs.100 crore sanctioned to eligible Micro, Small and Medium Enterprises (MSMEs) under MCGS-MSME for purchase of equipment / machinery.

The eligibility criteria for borrowers under MCGS-MSME is as below:

- i. It should be an MSME with valid Udyam Registration Number;
- ii. It should not be a non-performing asset (NPA) with any lender;
- iii. Minimum cost of equipment /machinery is 75% of project cost.

The Scheme is being implemented by NCGTC, a wholly owned company of Department of Financial Services, Ministry of Finance, Government of India. The MLI shall sanction loans to eligible borrowers and then submit details of the loan account on the portal of NCGTC along with payment of fees, whereupon the MLI shall get a confirmation of loan being guaranteed under the Scheme.

(b) and (c) A portal has been developed by NCGTC to ensure certain basic validations and the lenders furnish data in respect of borrowers meeting these validations as also ledger account, which shall be checked/ verified by NCGTC at the time of claim settlement through maker-checker concept. Further, the Fund is subject to audit by an independent firm of Statutory Auditors appointed by the Comptroller and Auditor General (CAG) of India.

(d) A time bound comprehensive review of the Income-tax Act, 1961 was undertaken with emphasis on making the Act simple, lucid and easy to comprehend, to ensure accessibility to all taxpayers, reduce litigations, and remove ambiguities. Various measures pertaining to direct taxes undertaken recently to reduce the compliance burden for smaller businesses and individual tax payers in the Income-tax Act 1961 are also included in the Income-tax Act 2025. These measures are as follows:

- i. Provisions for presumptive taxation for businesses under Section 58 of the Income-tax Act, 2025.
- ii. Provisions for tax audit for businesses under Section 63 of the Income-tax Act, 2025.
- iii. Provisions for reduction in compliance burden by omission of tax collected at source (TCS) on sale of specified goods under Section 206C of the Income-tax Act, 2025.
- iv. Rationalization of Tax Deducted at Source (TDS)/Tax Collected at Source (TCS) rates.
- v. Extension of timeline for tax benefits to start-ups under Section 140 of the Income-tax Act, 2025.
- vi. Provisions for allowing certain deductions only on actual payment to micro and small enterprises under Section 140 of the Income- tax Act, 2025.

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