**Govt raises default threshold to Rs 1 cr for invoking insolvency proceedings against firms**

**MINISTRY OF CORPORATE AFFAIRS (MCA)**vide notification / Gazette id No. CG-DL-E-24032020-218898 and S.O. 1205(E) issued and publish dated 24th March 2020 has amended section 4 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016).

To help MSMEs tide over the possible financial distress due to the Coronavirus pandemic, Finance Minister Nirmala Sitharaman on Tuesday 24th March, 2020 announced raising the threshold for default by MSMEs sharply from Rs 1 lakh to Rs 1 crore under section 4 of the Insolvency and Bankruptcy Code (IBC), 2016. “This will by and large prevent triggering of Insolvency proceedings against MSMEs,” said a press note issued by the Finance Ministry.

"If the current situation continues beyond April 30, 2020, we may consider suspending section 7, 9 and 10 of the IBC 2016 for a period of six months so as to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default," she said.

* **Applicability:**

They shall come into force on the date of their publication in the Official Gazette, i.e. 24th day of March, 2020.

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