

## MCA MANDATE ON OVERDUE PAYMENTS

# Companies now have to report dealings with MSEs biannually

Aim is to ensure greater transparency and discourage delayed payments

HARSH KUMAR

New Delhi, 17 July

To ensure greater transparency and accountability in financial dealings with medium and small enterprises (MSEs), the ministry of corporate affairs (MCA) has now mandated all companies to disclose information on payments made or overdue to such firms on a half-yearly basis.

According to the latest notification, the new micro, small and medium enterprise-1 (MSME-1) form on MCA V3 must be submitted by all companies dealing with MSEs. This is irrespective of whether they have payments overdue or not for more than 45 days to any such supplier.

Earlier, companies whose payments were outstanding to MSEs were mandated to make such disclosures along with the reason for delay in payment.

The new MSME-1 form now requires information on the amount paid within 45 days, amount paid after 45 days, mode of payment, amount outstanding for 45 days or less, amount outstanding for more than 45 days and reason for delay in payment



## ENSURING TRANSPARENCY

**MSME-1 Form must be submitted by firms dealing with MSEs irrespective of whether they have payments overdue or not**

/amount outstanding.

Vinod Kumar, president, India SME Forum, said he is extremely happy with the government's action by adding a provision and replacing the existing MSME-1 form.

"This is a watershed moment for MSMEs that have been fight-

### New MSME-1 form requires information on:

- ▶ Amount paid within 45 days
- ▶ Amount paid after 45 days
- ▶ Mode of payment
- ▶ Amount outstanding for 45 days or less
- ▶ Amount outstanding for more than 45 days
- ▶ Reason for delay in payment/amount outstanding

ing for over 15 years to curb the malpractice of delayed payments. Our heartfelt gratitude to the government, which has viewed this long-standing pain point of MSMEs very seriously," he said.

In February 2023, Finance Minister Nirmala Sitharaman amended the Income Tax Act as

part of the FY24 Budget to ensure payments to the MSME sector for goods and services purchased within 45 days.

The amendment, effective from April 2024, aims to address the working capital shortages faced by MSMEs, which play a crucial role in job creation and exports.

However, the amendment has divided the industry. Certain sectors have opposed the 45-day payment cycle, demanding reconsideration in the final Budget for FY25.

While most MSE support the amendment, some fear it may lead big businesses to shift their orders to unregistered MSEs.

An enterprise is classified as MSME based on its investment in machinery and annual turnover.

A micro enterprise has an investment in plant and machinery not exceeding ₹1 crore and turnover not exceeding ₹5 crore.

A small enterprise has an investment not exceeding ₹10 crore and turnover not exceeding ₹50 crore, respectively. And, a medium enterprise has an investment not exceeding ₹50 crore and turnover not exceeding ₹250 crore.