

Exporters Seek Exemption from 45-day Payment to MSMEs Rule

Want time period extended to 120 days, also favour supplies to be kept outside the scope of this provision

Kirtika Suneja@timesgroup.com

New Delhi: Exporters across sectors have sought exemption from a new rule that requires them to pay any pending bills to micro and small units within 45 days.

Around 150,000 exporters, represented by as many as 15 export promotion councils, including the Federation of Indian Export Organisations, have raised concerns over the provision, saying it will hurt their liquidity as payments for exports are received with an average time lag of 120 days, although the Reserve Bank of India allows a nine-month period to realise export proceeds as sometimes it takes even longer.

"Our exporters provide such credit terms to remain competitive internationally as countries, having much lower credit rates, offer more generous terms of payment with longer tenure," the exporters bodies said in a representation to

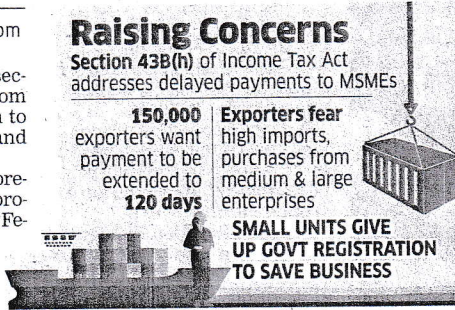
Raising Concerns

Section 43B(h) of Income Tax Act addresses delayed payments to MSMEs

150,000 exporters want payment to be extended to **120 days**

Exporters fear high imports, purchases from medium & large enterprises

SMALL UNITS GIVE UP GOVT REGISTRATION TO SAVE BUSINESS



Making payments to MSMEs within 45 days is challenging for the handicrafts industry, wherein the credit periods often last 180 days

Rakesh Kumar, Chief mentor, Export Promotion Council for Handicrafts

the finance ministry.

Section 43B(h) of the Income Tax Act, which comes into effect on April 1, mandates payments to UDYAM-registered micro and small entities within 45 days, in an effort to address the issue of delayed payments faced by such units.

Exporters have sought this to be extended to 120 days and supplies to micro, small and medium enterprises (MSMEs) to be kept outside the scope of this provision.

Micro manufacturing and services units are defined as businesses with ₹1 crore of investment and ₹5 crore of turnover, while small en-

terprises have investment worth ₹10 crore and turnover of ₹50 crore.

According to the new rule, if payment is delayed to an MSME-registered unit, the buyer will have to pay interest on the amount due.

"Making payments to MSMEs within 45 days is challenging for the handicrafts industry, wherein the credit periods often last 180 days," said Rakesh Kumar, chief

mentor, Export Promotion Council for Handicrafts.

As per the representation, exporters who receive supplies from micro and small units have been affected as it has impacted their liquidity. The additional liquidity, which comes at a cost, blunt their competitiveness. "The fallout of this is that small businesses will lose business and face return of goods. They are giving up on MSME certificates and benefits, which come with the registration," said Sanjay Jain, managing director, TT Textiles, which has 10-15% dependence on micro and small enterprises for inputs.

Kumar added that handicrafts export shipment usually takes 90 days to arrive at destination port and further 90 days for payment realisation. Buyers generally pay after receiving the goods, which, with an additional 30 days, makes it 120 days for exports. "Other countries don't have such laws and such a move will encourage imports and discourage buying from micro and small enterprises. Exporters may instead buy from medium enterprises," said an industry representative.