

# Exempt us from 45-day payment rule or extend deadline: MSMEs

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Trading, food and garment industry on Friday met Union Finance Minister Nirmala Sitharman during the pre-budget consultations.

They asked for either exemption from 45-day payment cycle for micro, small and medium enterprises (MSMEs) or increase the time limit to 60 days.

While some said that a 45-day payment window was good but some demanded exemption up to 60 days, said Vijay G Kalantri, president of All India Association of Industries (AIAI).

Sanjay Goenka of Bihar Industries Association said the 45-day payment window was hotly debated.

In the last year's Budget, the government introduced a new clause in the Income Tax Act to tackle the issue of delayed payments faced by MSMEs, which negatively affects their working capital and business growth.

Effective from April 1, 2024, with the 2024-25 assessment year (financial year 2023-24), the new clause stipulates that expenses for buyers on invoices from micro and small enterprises can only be claimed if paid within 45 days where an agreement exists, and within 15 days if there is no agreement, in the year of actual payment rather than the year the expense was incurred.

Kalantri said industry representatives also demanded enhanced credit support for MSMEs. "Sidbi should be entrusted to become a full-fledged bank to fund MSMEs and priority sector lending should be increased for MSMEs. We have also asked the FM that tax rates for MSMEs should be brought down to 20 per cent," he added.