

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 981**

TO BE ANSWERED ON MONDAY JULY 29, 2024/7 SHRAVAN, 1946 (SAKA)

**TIMELY PAYMENTS TO MSMEs**

981 SHRI MANICKAM TAGORE B:

Will the Minister of FINANCE be pleased to state :

- (a) whether it is a fact that the intervention introduced in the budget last year to ensure timely payments to micro, small and medium enterprises manufacturing and services units is yet to help them and even hurting them;
- (b) whether according to experts, the intervention will benefit MSMEs in the long run, but some buyers may choose to source from other suppliers;
- (c) whether the intervention will aid MSMEs, but it will take time for the system to settle down and may also temporarily affect the working capital of buyers; and
- (d) whether it is also true that the buyers are now prefer to source from suppliers who were not UDYAN registered?

**ANSWER**

THE MINISTER OF STATE IN MINISTRY OF FINANCE  
(SHRI ANURAG SINGH THAKUR)

(a), (b), (c) and (d): Vide Finance Act 2023, clause (h) was inserted in Section 43B of the Income-tax Act 1961 to provide that any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 shall be allowed as deduction only on actual payment. It can be allowed on accrual basis if the payment is within the time mandated under section 15 of the MSMED Act, 2006.

Section 15 of the MSMED Act, 2006 provides that payments to micro and small enterprises shall be within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, it is provided that the payment shall be made within 15 days.

A number of Micro, Small and Medium Enterprises (MSME) associations have endorsed the intervention introduced in the budget last year to ensure timely payments as being beneficial to the Micro and Small enterprises, which were grappling with the issue of delayed payments, cash flow and the risk of business getting closed due to financial constraints.

The above measures aim to provide timely payments to Micro and Small enterprises.

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