

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 91

TO BE ANSWERED ON MONDAY, NOVEMBER 25, 2024/AGRAHAYANA 4, 1946 (SAKA)

PAYMENT TO SMEs BY BIG COMPANIES

91. THIRU ARUN NEHRU:

Will the Minister of FINANCE be pleased to state :

- (a) whether the Government is aware that the 45 day deadline for payment to SMEs by big companies has been causing loss of business to SMEs; and
- (b) if so, the action proposed by the Government to resolve the payment issue to SMEs and to ensure that their businesses are not adversely affected?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b) Section 15 of the Micro, Small and Medium Enterprises Development (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. This provision has been there in the MSMED Act, 2006 since the time of its coming into force on 6.6.2006.

Under the provisions of the MSMED Act, 2006, Micro & Small Enterprises Facilitation Councils (MSEFCs) have been set up in the States/Union Territories to deal with cases of payments of the Micro and Small Enterprises (MSEs) delayed by buyers. Further measures are contained in sections 16 and section 23 of MSMED Act 2006. So far, 159 MSEFCs have been set up, with more than one MSEFC set up in States like Delhi, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal.

Ministry of MSME launched Samadhaan Portal for filing of grievances and for monitoring of the outstanding dues to Micro and Small Enterprises (MSEs) from the buyers of goods and services and created a special sub-portal within Samadhaan Portal for reporting the dues and monthly payments by Central Ministries/Department/Public Sector Enterprises to Micro, Small and Medium Enterprises (MSMEs).

Government of India has also instructed Central Public Sector Enterprises (CPSEs) and all companies with the turnover of Rs. 250 Crore or more to get themselves on-boarded on the Trade Receivables Discounting System (TReDS), an electronic platform for facilitating the discounting of trade receivables of MSMEs through multiple financiers.

Companies which get supplies of goods or services from MSEs and whose payment to MSEs exceeds 45 days from the date of acceptance or the date of deemed acceptance of the goods or services, also need to submit a half yearly return to the Ministry of Corporate Affairs stating the amount of payments due and the reasons of the delay.

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 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.

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.
