PAYMENTS TO MICRO & SMALL ENTERPRISES UNDER INCOME TAX ACT 43B

ANALYSIS BY CA AMOL KASAT

1. Applicable from 1^{st} April 2024, so applicable for any sum payable as on last day of FY 2023-24.
2. Applicable to only Micro Enterprise (Investment < 1 Cr, Turnover < 50 Cr) or Small Enterprise (Investment < 10 Cr, Turnover < 50 Cr) as per MSME Act & not Medium & Large enterprises.
3. Applicable to only supplier manufacturers or service provider, so purchase from traders would be outside the purview of these amendments.
4. Micro and small enterprises are also advised to mention a note on the invoice issued by them indicating that they are registered as micro or small enterprise under MSME Development Act, 2006.
5. Payment should be made within 15 days from the date of acceptance or deemed acceptance (delivery date) of the goods or services by a buyer.
6. If a buyer is entering into an agreement with MSME supplier, the due date of payment cannot exceed 45 days from the date of acceptance or deemed acceptance of the goods or services by a buyer.
7. If buyer fails to make payment within the dates mentioned as above then the sum payable will be ineligible for the deduction under income tax act.
8. If compensatory interest paid to MSME for delayed payments it is also disallowed under income tax act.
9. In case any defect in goods or deficiency in service is noticed, then an objection in writing should be made within 15 days. Date of removable of objection by the vendor should also be kept in record as counting of due date will start from this date.
10. Status of the supplier has to be checked on the date of transaction.
11. If the supplier on the date of transaction is not holding the registration/memorandum and is not covered under the MSMED Act, it can’t claim benefits with subsequent registration
12. In case goods supplied before 31^{st} March, 2023 & payment is made after 1^{st} April 2024 but within the time limit specified above then still deduction is allowed for FY 2023-24.

SECTION 43B PRESENTATION - CA AMOL KASAT