ALL ABOUT MSMED ACT 2006

INTRODUCTION

The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 came into force to promote and develop small and medium enterprises in the country.

This Act contains 32 sections which are divided into 6 Chapters, as illustrated below-

Chapter No	Topic	Section Covered
1	Preliminary	1-2
2	National Board for Micro, Small and Medium Enterprises	3-6
3	Classification of Enterprises, Advisory Committee & Memorandum	7-8
4	Measures for Promotion, Development & Enhancement of Competitiveness	9-14
5	Delayed Payments to Micro and Small Enterprises	15-25
6	Miscellaneous	26-32

DEFINITION

1. **Who is "supplier"?**

   As per **section 2(n)**, "supplier" means a micro or small enterprises, which has filed a memorandum with the authority, and includes-

   - The National Small Industries Corporation, being a company, registered under the Companies Act, 1956 (now 2013).
   - The Small Industries Development Corporation of a State or a Union Territory, being a company, registered under the Companies Act, 1956(now 2013).
   - Any company, co-operative society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro and small enterprises and rendering services which are provided by such enterprises.

2. **What is "appointed day"?**

   As per **section 2(b)**, "appointed day" means the day following immediately after the expiry of the period of fifteen days from the *Day of Acceptance* or the *Day of Deemed Acceptance* of any goods or any services by a buyer.

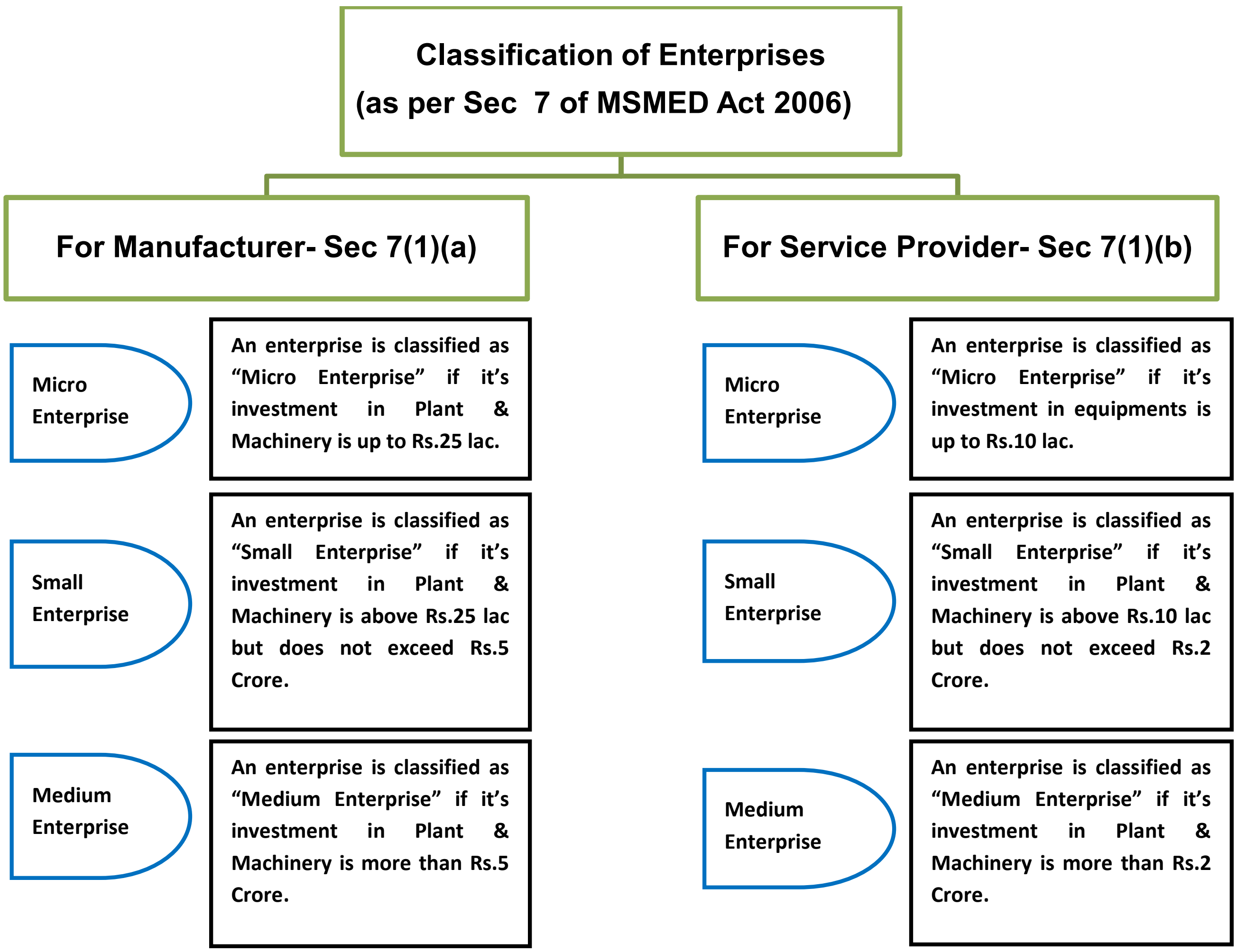
   - *Day of Acceptance* means-

     a. The day of actual delivery of goods or the rendering of services; or

     b. Where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of delivery or the rendering of services - the day on which such objection is removed by the supplier.

- *Day of Deemed Acceptance* means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services - the day of the actual delivery of goods or rendering of services.

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISE



Explanation 1 – It is hereby clarified that in calculating the amount of investment in plant & machinery, the cost of pollution control, research and development, and industrial safety equipments shall not be considered.

TYPES OF ENTERPRISES ELIGIBLE TO BE REGISTERED

As per **section 7(1)** of MSMED Act 2006, any classes of enterprises whether Proprietor, HUF, Partnership Firm, Cooperative Society or Company, may get registered under the MSMED Act 2006.

MEASURES FOR PROMOTION AND DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES

From time to time, the Central Government has taken several measures for the purpose of facilitating promotion, development and enhancing competitiveness of micro, small and medium enterprises, particularly for micro and small enterprises. The measures like, development of skill of employees and management, technologies and marketing assistance, infrastructure facilities etc. has been given to these enterprises.

Some of the measures taken by the Central Government under MSMED Act are illustrated below-

1. **Credit Facilities (Sec-10)**: RBI issues some policies, guidelines and instructions, from time to time, to ensure timely and smooth flow of credit to such enterprises in order to minimize the incidence of sickness and enhance the competitiveness of such enterprises.
2. **Liability of Buyer to make payment (Sec-15)**: Where any supplier, registered under this Act, supplies any goods or rendered any services to any buyer, the buyer shall make payment therefore on or before the date agreed upon, in writing, between him and supplier.

   And if there is no written agreement in this regard, payment shall be made to the supplier before the appointed day.

   Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance.
3. **Period and Interest Rate in case of delayed payment (Sec-16)**: Where any buyer fails to make payment of the amount to the supplier as required under section 15, the buyer shall be liable to pay compound interest with monthly rests to the supplier on that amount, irrespective of anything contained in any agreement between the buyer and the supplier or in any law for the time being in force.

   - **Period of Interest**: Interest to be calculated from the appointed day till the day of payment to the supplier.

- **Rate of Interest**: 3 times (3*X*) of the bank rate notified by the Reserve Bank of India.

OTHER IMPORTANT PROVISIONS

3. **Disclosure of Unpaid Principal and Interest to MSMED Vendors (Sec-22)** – As per **section 22**, all buyer is required to furnish the following additional information in his annual statement of accounts, if his annual accounts are required to be audited under any law for the time being in force,-
    - Unpaid principal amount and interest due thereon to any MSMED supplier at the end of each accounting year.
    - The amount of interest paid in terms of section 16, along with the principal amount during each accounting year.
    - The amount of interest accrued and remaining unpaid at the end of each accounting year.

4. **Interest not to be allowed as deduction under Income Tax (Sec-23)** – As per **section 23,** the amount of interest paid by the buyer, under or in accordance with the provisions of this Act, shall not be allowed as deduction for the purpose of computation of income under Income Tax Act, 1961.

-----------------------Thank You------------------------