




MSME

Recent Developments

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- Important Provisions of MSMED Act 2006
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**Important Provisions of
Micro Small & Medium Enterprises
Development (MSMED)
Act 2006
[6 Chapters – 32 Sections]**

About..

- MSME = **M**icro, **S**mall & **M**edium **E**nterprises
- Earlier known as SMEs or SSIs
- Manufacturing and Service entities with low or medium investment in Plant & Machinery or Equipment.
- Govt. Prgms such as Mudra, Startup, Stand up are all aimed to strengthening the MSME sector.

Strength...

- 6.5 crores units which include Home, cottage, village, tiny units (69%)
- 11 cr + workforce, Second biggest after Agri.
- 6,000+ products
- Contributes about 8% to GDP, 45% to the total manufacturing output and 40% to the exports
- Growth rate of 13% YoY

What is the problem??

Biggest problems for MSME today are

- *longer Credit Periods*
- *Lengthy litigations*
- *Lack of access to formal bank finance*
- *Lack of Awareness about Govt. Initiatives*

What is the Solution?

MSMED ACT & Govt Initiatives

MSMED Act 2006 – Objectives

- 1. To facilitate promotion, development and enhance competitiveness amongst SMEs.
- 2. To regulate the credit period and to improve liquidity position of SMEs.
- 3. To provide a single legal framework for quick resolution of disputes



Basic REGISTRATION

MSMED ACT 2006 – Classification

Defined based on “Investment” in P & M/Equipment (Now TURNOVER)

Type of Unit	Manufacturing	Service	New Defin.
	P&M	Equipment	Turnover
Micro	25 Lk	10 Lk	5cr
Small	5 Cr	2 Cr	75cr
Medium	10 Cr	5 Cr	250cr

Registration – Udyog Aadhaar

- Discretionary to - Micro & Small Entp.
Medium (Service) Entp.
- Compulsory to - Medium (Mnf) Entp.

Udhyog Aadhar (From Sep-2015)

- Registration is online, self-declaration based
- No documentation no filing fee
- Details Req – Bank Ac, Aadhaar, PAN

Technology makes difference



सत्यमेव जयते

भारत सरकार
सूक्ष्म , लघु और मध्यम उद्यम मंत्रालय
Government Of India
Ministry of Micro, Small & Medium Enterprises



एक कदम स्वच्छता की ओर

National Portal for Registration of Micro, Small & Medium Enterprises

[Update Udyog Aadhaar](#)

[Officer's Login](#)

[Reports](#)

[Print](#)

[Verify UAM](#)

स्वच्छ भारत

Udyog Aadhaar

Makes the registration process easier for the small business sector

OTP on Mobile(linked with Aadhaar) will be sent for confirmation. Keep your Mobile with you during reg

62,68,237

Udyog Aadhaar
(From Sept 2015)

21,96,902

Entrepreneur Memorandum
(2007-2015)

15,63,974

Small Scale Industries
(upto 2006)

1,00,29,113

MSME Enterprise-
Registered

1,55,633

MSME Databank
Units



CREDIT PERIOD



मै एक लघु उद्योजक हूँ, I am MSME,

S15: Buyers Liability to make Payment

Where any supplier supplies any goods/services, the buyer ***shall*** make payment thereof on or before the date agreed upon between him and the supplier in ***writing***.

Where there is no agreement in this behalf, before the ***appointed day***;

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***.

- ***Appointed Day***: the day following immediately after the expiry of the period of fifteen days from the day of acceptance
- ***Day of Acceptance***: the day of the actual delivery of goods/rendering of services.
In case of written objection (***within fifteen days***) - the day on which such objection is removed by the supplier
- ***Day of Deemed Acceptance***: ***The day of the actual delivery of goods***/rendering of services

Credit period interpreted

Appointed Day, Day of Acceptance, Day of Deemed Acceptance				
SN	Scenario	Deciding date	Payable within (days)	Credit Period
S 1	No agreement, no Query	Day of delivery (deemed acceptance)	15 of delivery	15
S 2	No agreement, but Query	Day of acceptance (15 days from delivery)	15+15 days i.e. 30 days from delivery	30
S 3	Agreement, but no Query	Max 45 days from delivery	45 days of delivery	45
S 4	Agreement & Query	Max 45 Days from deemed acceptance (15 days from delivery)	15 days+ 45 days	60

S16: Interest on Delayed Payments

Where any buyer fails to make payment to the supplier as per Section 15 – he is liable to pay **Compounded interest with monthly at three times of the bank rate**

Present Bank rate - 6.75% hence ROI u/s 16 is **20.75%**

S17: Payment with Interest

Buyer shall be liable to pay the amount ***with interest*** thereon as provided under section 16.

Interest not deductible under Income Tax Act.

Interest Paid by Corporates

(Disclosed in Annual Reports)

	2014-15		2015-16		2016-17		(Rs. Cr)
COMPANY	Delay Pay	Int	Delay Pay	Int	Delay Pay	Int	TOTAL
TATA MOTORS	125.55	1.15	122.51	1.17	88.32	1.72	3.98
M&M	564.84	5.36	690.76	6.11	500.13	5.88	17.35
BAJAJ	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Disclosure u/s 22

Any buyer required to get his accounts audited under any law for the time being in force, such buyer shall furnish the 5 point info in his annual statement of accounts,

SN	PARTICULATS	Principle Amt. RS.	Interest Amt. Rs.
1	Interest & Principle paid beyond due date (During the year)	800000	100000
2	Interest & Principle o/s (Year end)	1600000	150000
3	Interest due for principle paid beyond due date (Out of 2 above, but relating to 1 above)	-	80000
4	Balance Interest accrued for principle unpaid (2-3)	-	70000
5	Status of Interest up to reporting date (As on date of signing of balance sheet)	-	40000

Clause 22 (Old 17A) of 3CD

- Auditor should seek info regarding status of the Entp i.e. whether the same is covered under the MSMED Act, 2006.
- Where the info is available and has been disclosed the same should be reported as such in Form No. 3CD. Where the info is not available the auditor should also mention the same in the 3CD.
- Obtain a full list of suppliers of the assessee which fall within the purview of the definition of “Supplier” under section 2(n)

Corporate Thinking

Corporate *Buyers* have two lines of thinking towards payments to MSME

- Considering the importance of MSMEs for the overall economy, renegotiate and pay within 45 days (CSR)
- Provide the interest, build the provision and write it off at the end of 3rd year – this treatment amounts to non-compliance of section 17.

DISPUTE RESOLUTION



S18: Arbitration and Conciliation

- Dispute with regard to any amount due under section 17, to be referred to the MSE Facilitation Council.
- The Council shall conduct conciliation - Arbitration Act, 1996.
- Where the conciliation fails, dispute shall be taken up for arbitration *as if the arbitration was in pursuance of an arbitration agreement referred to in sub-section (1) of section 7 of that Act.*

Overriding Provisions

S24 – Overriding Effect

The provisions of sections 15 to 23 shall have effect *notwithstanding anything inconsistent* therewith contained in any other law for the time being in force.

[Whether these provisions hinder buyer's Constitutional Rights]

Government Initiatives

- 1. New MCA circular on MSME reporting**

New MCA circular on MSME reporting

MCA Notification - 22 January, 2019

- All companies, who get supplies of goods or services from **MICRO AND SMALL ENTERPRISES** and whose payments to micro and small enterprise suppliers **EXCEED FORTY FIVE DAYS** from the date of acceptance or the date of deemed acceptance of the goods or services as per the provisions of section 9 of the **MSMED Act** - hereafter referred to as “Specified Companies”

Reporting Requirement

- The requirement is twofold;
- 1. Filing of 'One time' details of outstanding dues to **MICRO OR SMALL ENTERPRISES** suppliers existing on the date of notification (**i.e. 22nd Jan 2018**) – to be filed within 30 days from the date of publication of this notification i.e. **before 20th February 2019**
- 2. Filing of **half yearly return** of dues to **MICRO OR SMALL ENTERPRISES** suppliers by 31st October for the period from April to September and by 30th April for the period from October to March.

Procedure

- 1) Firstly identify your MSME registered suppliers and ask for their registration certificate.
- 2) If there are any such suppliers who are Registered under MSME Act and if the payments to them are due for more than 45 days from the date of acceptance of the goods and services, then details of such suppliers shall be furnished in Form MSME-1

Procedure...

3) Information required in respect of such supplier to be submitted with ROC in Form MSME-1

- Total outstanding amount due on 22nd January 2019
[For One time return, which has to be submitted by 21st February 2019]
- Name of Supplier
- PAN of Supplier
- Date from which such amount is due

4. Reasons for delay in payment

Government Initiatives

2. TReDS

**Trade Receivable E Discounting
System**

TReDS

- It is an electronic platform that allows auctioning of trade receivable.
- Commonly known as ‘bills discounting’,
- Parties involved
 - Seller – SME
 - Buyer – Corporate, PSU
 - Banks

TReDS

All companies with turnover > Rs. 500 crores –
Compulsory to pay to SMEs through TReDS

[TREDS.mp4](#)

[TReDS To Boost Growth Of MSMEs_NSE - YouTube
\(360p\).mp4](#)

Government Initiatives

3. RBI circular on MSME sector – Restructuring of Advances

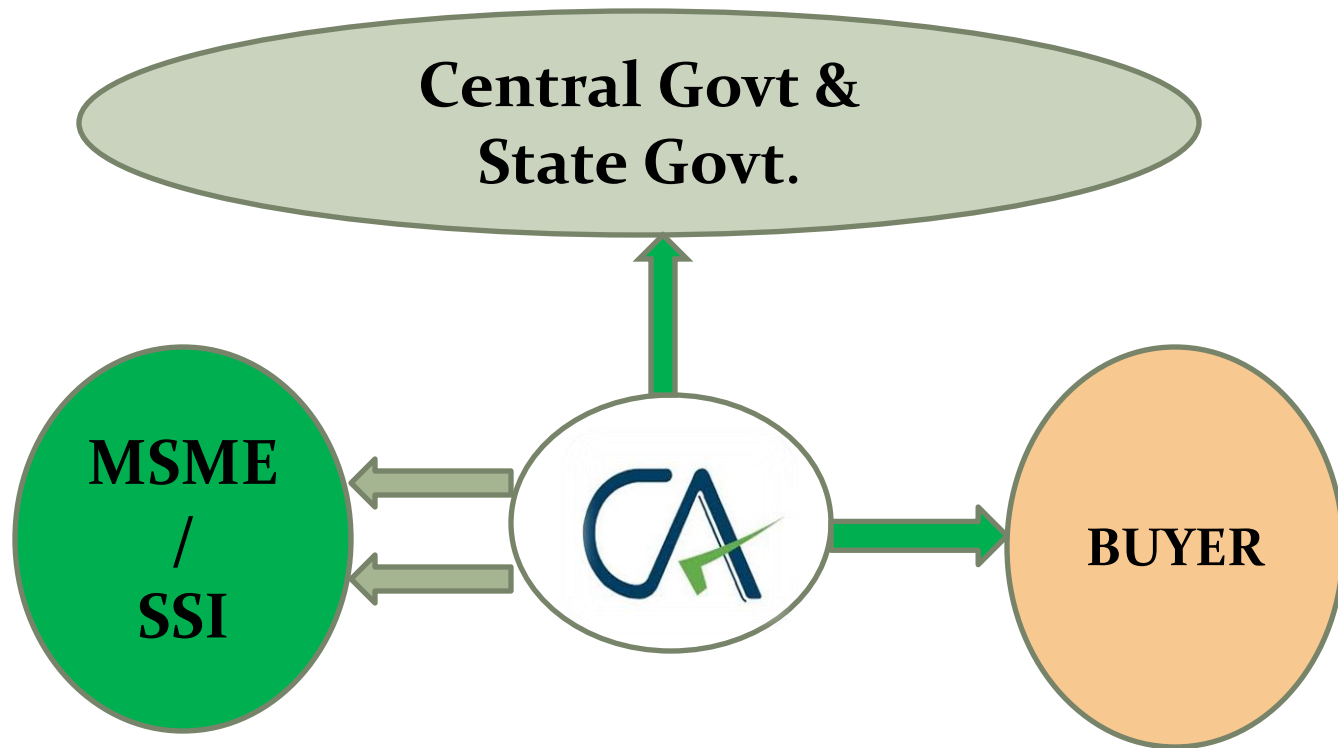
[RBI on MSME restructuring.PDF](#)

Threats OR Opportunities?

- More than 60% SMEs don't know that there exists MSMED act; Many know the act but are not registered;
- Those registered don't know their rights;
- Many know the rights but they do not claim them;
- Many claim their rights but the buyer neither makes the payment on time nor he pays any interest;
- No of SMEs registered are less 15% of total numbers.
- CRISIL study says if SMEs get paid in 45 days, their profitability will go up by 15%

What is my role as a CA??

MSMED Act



CA in the center of Solution

We need to be solution providers

Than Q?

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