

**Credit and finance for MSMEs:** With the union budget 2023-24 around the corner, experts from India's MSME ecosystem have called for a slew of measures to ease financial complexities surrounding small businesses ranging from delayed payments to credit availability, taxation, cost of doing business, invoicing, and more. While a number of steps have been undertaken by the central government post Covid to help MSMEs revive their growth, experts have cited some additional steps for the government to fill the gaps.

Beginning with delayed payments, around Rs 10.7 lakh crore or an estimated 5.9 per cent of India's gross value added (GVA) is locked up annually in dues pending to MSMEs, according to a 2022 report published by the non-profit entity for promoting entrepreneurship Global Alliance for Mass Entrepreneurship (GAME). 80 per cent of this estimated amount is owed to micro and small enterprises (MSMEs), totalling Rs 8.55 lakh crores. To provide relief to MSMEs from the issue of delayed payments in the [budget](#), GAME's Co-founder Madan Padaki suggested, "delayed payments to be added as an indicator within the EoDB 2.0 (Ease of Doing Business 2.0) under development by the Department of Promotion of Industry and Internal Trade."

EoDB 2.0 is the next phase of the government's ease of doing business initiative announced by finance minister Nirmala Sitharaman in her last year's budget speech to further develop a business-friendly environment. The new initiative is yet to be launched.

Padaki also suggested enabling Online Dispute Resolution (ODR) to address payment-related disputes as the government's Samadhaan portal has been "partially addressing" the issue by allowing suppliers to escalate their issues. Further, the "government should empower MSMEs to act independently against negligent buyers by bringing out a formula for delayed payments to directly impact the borrowing costs of large buyers, as well as introduce a mandate that will ensure Miniratna, Maharatna, and Navratna companies transact on the invoice discounting platform TReDS."

Currently, participation on TReDS is restricted to companies with up to Rs 250 crore annual Turnover. However, to reach more MSMEs and buyers, it is important to give larger enterprises access to TReDS. "This policy suggestion has been on hold for a while. Alternatively, participation on TReDs should not be restricted to companies with up to Rs 250 crores in annual revenue; rather, a broad approach should be taken and companies with up to Rs 2,000 crores in annual revenue should be allowed on TReDS," said Arvind TCA, Co-Founder of supply chain finance structuring firm Artfine.

The number of invoices uploaded and financed through TReDS had more than doubled in FY22 while the success rate improved to 94.7 per cent from 91.3 per cent a year earlier, said a Report on Trend and Progress of Banking in India for FY22 by [RBI](#) in December. Invoices uploaded on TReDS increased to 17.33 lakh in FY22 involving Rs 44,111.80 crore from 8.61 lakh invoices involving Rs 19,669.84 crore uploaded in FY21.

Another key ask by Arvind was making the government's Open Credit Enablement Network (OCEN) accessible to MSMEs. Launched in 2020, OCEN allows consent-based access to information from various data sources and connects borrowers with lenders for access to affordable credit. However, Arvind said the government has overlooked a crucial aspect of the OCEN process that prevents MSMEs from using it for loan purposes.

“While account details are available to individuals, they are not available for [MSMEs](#). The government should, therefore, encourage the flow of information if it wants to have an impact. Some signature developments in the budget announcement are needed to expedite the process and enable retail banking for SME companies,” he added.

Further, to boost working capital finance, particularly for MSMEs selling via the e-commerce model, Vidit Aatrey, Founder & CEO of e-commerce company Meesho suggested lowering the Goods and Services Tax (GST) on input services like logistics and facilitating refunds of the accumulated input tax credit. Over April-November 2022, around 2.9 lakh sellers on Meesho dealing in products, which attract less than 18 per cent GST saw input tax credit accumulation of Rs 265 crore.

**Credit and finance for MSMEs:** Bank credit to retail and wholesale trade in September recorded a 21 per cent growth to Rs 7.45 lakh crore from Rs 6.96 lakh crore during September 2021, showed latest sectoral deployment data from the Reserve Bank of India (RBI). Among wholesale and retail trade, the former saw Rs 3.77 lakh crore credit deployed, higher than Rs 3.68 lakh crore deployed to the retail trade in September. While the wholesale trade credit (other than credit to food procurement) registered 23 per cent growth during September vis-a-vis 8.2 per cent growth during September 2021, the retail trade credit grew by 19.6 per cent in comparison to 2.7 per cent during the year-ago period, indicating uptake in credit post their inclusion in the MSME category in July last year.

The YoY growth in August stood at 16.9 per cent from 7 per cent during the year-ago period with Rs 7.31 lakh crore in aggregate credit deployed to retail and wholesale trade during the month vis-a-vis Rs 6.26 lakh crore deployed in August last year.

According to a CareEdge Ratings report in October, credit offtake increased 17.9 per cent YoY, reaching a decadal high mark, for the fortnight that ended October 7, 2022, on the back of retail credit, higher working capital demand amidst high inflation, and lower funds raised in the capital market and is expected to remain elevated in the short term due to the ongoing festival season.

In absolute terms, credit outstanding increased by Rs 19.6 lakh crore to Rs 128.6 lakh crore as of October 07 over the last 12 months with retail and wholesale contributing to the same. “Retail credit growth has been strong due to underlying demand, as credit outstanding saw a robust growth at 19.5 per cent y-o-y in August 2022 driven by the miniaturisation of credit, housing, and vehicle loans,” the report had said.

Meanwhile, the aggregate credit to the overall MSME sector had increased by 27 per cent to Rs 18.55 lakh crore in September from Rs 14.61 lakh crore in September 2021, according to the [RBI](#) data.

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**Credit and finance for MSMEs:** The union budget for the financial year 2023-2024 is all set to be presented by Finance Minister Nirmala Sitharaman on February 1st. The finance ministry has already begun pre-budget discussions with different ministries and departments. Going by the [reports](#), economists and industry experts expect the government to bring in reforms that are focused on achieving higher growth rates on a sustained basis. On the broader front, this year's budget will look at promoting growth by introducing policy interventions that push local manufacturing and exports. Much like the previous years, Budget 2023 will be pragmatic rather than a populist budget with a view to limit the hit of the global economic slowdown on the Indian economy.

## Renewed focus on MSMEs

Taking into account how 95 per cent of India's businesses are micro-scale enterprises, boosting credit to MSMEs and startups along with simplifying taxation for them must be a top priority for the government. The MSME industry, which has been the driving force of the Indian economy, has entered into the new year with expectations to recover from the slowdown experienced during the last two years and register significant growth. [Budget 2023](#) should focus on bringing about desirable reforms around ease of doing business for MSMEs.

There is also a pressing need to introduce policies that cut down input costs, boost liquidity, and promote financial inclusion where small businesses have access to affordable financial products. To further promote small businesses and empower entrepreneurs, support mechanisms such as startup-friendly policies to enable greater spending on innovation and tax relaxations should be introduced.

## Need of the hour: Provision for dedicated small business credit support

Owing to India's continuing economic liberalisation, we are on our way to becoming a global manufacturing hub by 2023. Given the current global headwinds—we would need reforms around small business credit, taxation, and product-linked schemes to ensure that we continue on the growth trajectory. The larger focus should be on taking calibrated steps to strengthen the domestic market by generating employment and promoting new avenues for growth.

Government initiatives such as easy access to funding and tax breaks will create a favourable position for small businesses to thrive and become globally competitive. These timely measures will further enable them to cope with rapidly changing business conditions and overcome operational bottlenecks. Amid concerns of a global slowdown and elevated inflation, the government is up against an uphill task of maintaining fiscal prudence, a key factor that will be under the scanner of global investors.

Wide-ranging initiatives to provide dedicated credit support for MSMEs are high in demand, as this sector will be vital in steering India on the path of continuous economic growth. Some of the [pre-budget](#) expectations of the MSME sector include:

**Extension of the ECLGS scheme:** The government's Emergency Credit Line Guarantee Scheme (ECLGS) had brought much-needed relief to credit-starved MSMEs, enabling them to bounce back after the economic slowdown brought on by the pandemic and the subsequent lockdowns. The ECLGS scheme has witnessed multiple iterations and extensions from the time it was first launched in May 2020. The scheme is expected to expire in March 2023, unless the government decides to further extend it.

**Expansion of the PLI scheme:** The Product-Linked Incentive (PLI) scheme is expected to further diversify Indian exports and take them to greater heights. The current PLI scheme is limited to large companies and corporates in specific sectors. While these incentives have done considerably well in boosting domestic manufacturing and job creation, there are expectations that [Budget 2023](#) may extend the PLI schemes to MSMEs and upcoming industries to further boost exports.

**Offering credit at affordable rates:** The geopolitical crisis has disrupted supply chains and adversely impacted the country's exports sector which was one of the main sectors that helped revive India's economy in the last year and has experienced 37% year-over-year (YoY) growth. Exporters are seeking credit at affordable rates to in turn promote cross-border trade.

**Encourage cash flow-based lending:** The launch of initiatives such as Account Aggregator (AA) and Open Credit Enablement Network (OCEN) has been a great relief for the MSME sector. Supportive measures in democratizing credit and accelerating financial inclusion are expected from Budget 2023.

**Restructuring of existing MSME loans:** Owing to a cash crunch, MSMEs are now requesting for restructuring of existing loans with a moratorium of one year with an additional two years to repay the loans.

**MSME loans are to be classified as NPAs after 180 days of non-payment:** Facing interruptions in the flow of funds owing to delayed payments from buyers, MSMEs are requesting the government to consider loans as Non-Performing Assets (NPAs) only after 180 days of non-payment instead of 90 days.

MSME DEFINITION UNDER MSMED ACT, 2006 The classification of Micro, Small and Medium Enterprises is defined under the MSMED Act 2006 amendment dated 01/06/2020. The Micro, Small and Medium Enterprises is based on the Investment in Plant, Machinery or Equipment values (excluding land and building) and Annual Turnover. This shall come into effect from 01.07.2020. MICRO ENTERPRISE: Where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees. SMALL ENTERPRISE: Where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees. MEDIUM ENTERPRISES: Where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees. CLASSIFICATION OF ENTERPRISES (PRINCIPAL TRADE IN FIRST SCHEDULE OF IDR ACT, 1951) Revised MSME CLASSIFICATION as per MSME ACT 2006 w.e.f. 01/07/2020 Composite Criteria: INVESTMENT In PLANT & MACHINERY / EQUIPMENT And ANNUAL TURNOVER Classification Micro Enterprises Small Enterprises Medium Enterprises Manufacturing Enterprises and Services Enterprises Investment in Plant and Machinery or Equipment: Not more than Rs. 1 Crore & Turnover: Not more than Rs. 5 Crore Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore & Turnover: Not more than Rs. 50 Crore Investment in Plant and Machinery or Equipment: Not more than Rs.50 Crore & Turnover: Not more than Rs. 250 Crore CONTRIBUTION OF MSMES AND COTTAGE INDUSTRY TO GDP As per the information received from Ministry of Statistics and Programme Implementation, the share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP) is as follows: Year 2018-19 2019-20 2020-21 Share of MSME GVA in All India GDP (%) 30.50 30.50 26.83 As per the information received from the Directorate General of Commercial Intelligence & Statistics, the share of export of specified MSME-related products in all India Export is as follows: Description 2019-20 2020-21 2021-22 2022-23 (up to Aug. 2022) Share of export of MSME-related products in All India Export (in %) 49.77 49.35 45.03 42.67

As per Udyam Registration portal, the total number of persons employed in MSMEs which are incorporated during the last 3 years and the current year is as follows. Year 2019-20 2020-21 2021-22 2022-23 (up to 07.12.2022) All India 65,64,458 1,12,27,745 1,30,19,919 84,23,452 As per the information received from the Ministry of Statistics and Programme Implementation, the share of Manufacturing MSME Gross Value Added (GVA) in all India Manufacturing Gross Value Added (GVA) is as follows: Year 2018-19 2019-20 2020-21 Share of manufacturing MSME GVA in All India manufacturing GVA (%) 40.60 40.67 38.47

Ministry of MSME implements various schemes/programmes for the promotion and development of Micro, Small and Medium Enterprises (MSMEs) sector across the country inter alia including; Prime Minister's Employment Generation Programme (PMEGP); Micro and Small Enterprises-Cluster Development Programme (MSE-CDP); Scheme of Fund for Regeneration of Traditional Industries (SFURTI); Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) and A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE). The Government has taken a number of recent initiatives to support MSMEs in the country, which inter alia include: Rs. 5 lakh crore Collateral Free Automatic Loans for business, including MSMEs. Rs. 50,000 crore equity infusion through MSME Self-Reliant India Fund. New revised criteria for classification of MSMEs. No global tenders for procurement up to Rs. 200 crores. "Udyam Registration" for MSMEs, for Ease of Doing Business. Launching of an online Portal "Champions" in June, 2020 to cover many aspects of e-governance including grievance redress and handholding of MSMEs. Inclusion of Retail and Wholesale trades as MSMEs w.e.f. 02nd July, 2021. Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs. NOTE THAT: This information was given by Minister of State for Micro, Small and Medium Enterprises.

**WHAT IS NEW FOR MSMEs IN NEW BUDGET PROPOSALS TAX BENEFITS PROVIDED TO MSMEs AND STARTUPS INCREASE IN THRESHOLD LIMITS UNDER THE PRESUMPTIVE TAXATION SCHEME** The threshold limits for the presumptive taxation scheme are increased from Rs.2 crores to Rs.3 crores for eligible businesses to promote non-cash transactions and ease compliance. This increased limit will apply only in the case the aggregate of the amounts or amounts received in cash during the year does not exceed 5% of the total gross turnover/receipts.

**CONCESSIONAL TAX TO NEW MANUFACTURING CO-OPERATIVE SOCIETIES** The Budget 2023 provides an option to pay tax at a concessional rate of 15% for a new co-operative society established on or after 01/04/2023, commencing production or manufacture by 31/03/2024 and does not avail of any specified deduction or incentive subject to compliance of terms and conditions given in the Rules.

**RELIEF TO STARTUPS IN CARRYING FORWARD AND SETTING OFF LOSSES** The Budget 2023 provided relief to startups by giving the benefit of carry forward of losses on a change of shareholding of startups from seven years to ten years. The condition of continuity of a minimum of 51% shareholding to set off of carried-forward losses is relaxed for eligible startups if all company shareholders continue to hold those shares.

**DATE OF INCORPORATION OF STARTUPS EXTENDED FOR TAX EXEMPTION** Certain startups are eligible for tax benefits if they are incorporated before 01/04/2023. The period of incorporation of such eligible startups for receiving tax benefits is extended by one more year, i.e. 01/04/2024.

**EASE IN CLAIMING AMORTISATION DEDUCTION OF PRELIMINARY EXPENDITURES** At present, the assessee or a concern approved by the Board should carry out the activity of an enterprise for claiming amortisation of certain preliminary expenses. To simplify the process of claiming amortisation of preliminary expenses, Budget 2023 proposed to remove the condition of a concern approved by the Board to carry out the activity in connection with these expenses. The government will prescribe the format for reporting such expenses

by the assessee. PROMOTE TIMELY PAYMENTS TO MSMEs The Budget 2023 proposed to include payments made to MSMEs within the ambit of Section 43B of the Income Tax Act, 1961, to promote timely payments to MSMEs. Thus, a deduction for such payments will only be allowed when it is actually paid. It will be allowed on an accrual basis only when the payment is made within the time prescribed under the Micro, Small and Medium Enterprises Development Act. OTHER BENEFITS PROVIDED TO MSMEs AND STARTUPS EXTENSION OF CREDIT GUARANTEE SCHEME FOR MSMEs The Budget 2023 proposed to revamp the Credit Guarantee Scheme for MSMEs, which will be effective from 01/04/2023 through an infusion of Rs.9,000 crore in the corpus. It will enable additional collateral-free guaranteed credit of Rs.2 lakh crore, and the cost of the credit will be reduced by about 1%. VIVAD SE VISHWAS I – RELIEF FOR MSMEs In the case of failure to execute contracts by MSMEs during the Covid period, the government and government undertakings will return 95% of the forfeited amount relating to performance or bid security to them. SETTING UP OF AGRICULTURE ACCELERATOR FUND FOR AGRI-STARTUPS An Agriculture Accelerator Fund will be set up to promote and encourage Agri-startups by young entrepreneurs in rural areas. The Fund will aim to bring affordable and innovative solutions for challenges faced by farmers. It will also help to bring modern technologies to transform agricultural practices and increase profitability and productivity. A COMMON BUSINESS IDENTIFIER FOR BUSINESSES The PAN will be the common identifier in all digital systems of specified government agencies for business establishments required to have a PAN. It will be facilitated through a legal mandate and bring ease of doing business. SETTING UP OF ENTITY DIGILOCKER FOR MSMEs An Entity Digi Locker will be set up for use by MSMEs and large businesses. It will be towards sharing and storing documents online securely with various regulators, banks, authorities and other business entities. MEASURES TO ENHANCE BUSINESS AT GIFT IFSC The Budget 2023 proposed various initiatives to enhance business activities in GIFT IFSC, which are as follows: Delegating powers under the SEZ Act to IFSCA to avoid dual regulation Single window IT system for regulatory approval and registration Permitting acquisition financing by IFSC banking units of foreign banks Establishing a subsidiary of EXIM Bank for trade re-financing Recognizing offshore derivative instruments as valid contracts MSMEs are the growth engines of our country and contribute immensely to economic development. The measure and benefits provided in the Budget 2023-24 to MSMEs and startups will provide ease of compliance and business. LET'S CONSIDER CHANGES IN INCOME TAX ACT, 1961 AND MSMED ACT, 2006 RELATED TO PAYMENT OF MSMEs DUE. SECTION 15 OF MSMED ACT, 2006 -LIABILITY OF BUYER TO MAKE PAYMENT Where any supplier, supplies any goods or renders any services to any buyer, the buyer shall make payment therefor; on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, 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. It means that the maximum period that is allowed under the MSMED Act for payment to be made is 45 days from the date of delivery of goods or receipt of services, if no objections are made within 15 days from such a date. In the event of any objections being made, then the number of days gets extended by the number of days taken to remove the objection SECTION 2(b) OF MSMED ACT, 2006 "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 from a supplier. Explanation.—For the purposes of this clause,— (I) "The Day of Acceptance" Means,— (a) the day of the 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 the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier; (ii) "The 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 the rendering of services; SECTION 2 (N) "supplier" means a micro or small enterprise, which has filed a memorandum with the authority referred to in sub-section (1) of section 8, and includes,—

- (i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956 (1 of 1956);
- (ii) (ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956 (1 of 1956);
- (iii) (iii) 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 or small enterprises and rendering services which are provided by such enterprises.

PLEASE NOTE THAT: the buyer of any goods or provisions of services from MSME will require to intimate the MSME within a period of 15 days from the date of receipt of goods or services related to any complaint ,etc. of goods or services in writing to the MSME. Then Day of Acceptance is the date on which such objection will has been removed by the MSME. If no objection has been made by the buyer to the MSME in writing then Day of Deemed Acceptance is the date on which actual delivery of goods or services rendered. Appointed Date if the date immediately followed the " Date of Acceptance or the Date of Deemed Acceptance" as defined above. LET'S CONSIDER AN EXAMPLE EXAMPLE 1 No. credit period in writing and no objection in writing from buyer Date of order: 3-1-2009 Date of Supply: 3-2-2009 Credit Period: Nil Objection in writing: No Date of acceptance or deemed acceptance: 3-2-2009 Appointed Day: 18-2-2009 Payment to be made on or before appointed day 18-2-2009 EXAMPLE 2 Credit period of 60 days in writing and no objection in writing from Buyer Date of order: 3-1-2009 Date of Supply: 3-2-2009 Credit Period: 60 days Due date for payment as per agreement: 4-4-2009 Objection in writing: No Appointed date: 03-02-2009 Date of payment: 20-3-2009 PLEASE NOTE: in no case the payment period, be more than 45 days from the date of appointed date. EXAMPLE 3 No credit period but objection from buyer Date of order: 03-01-2009 Date of Supply: 03-02-2009 Credit Period: NIL Date of objection in writing: 15-2-2009 Date of removal of objection: 20-2-2009 Appointed day: 20-02-2009 Payment to be made on or before the appointed day 20-02-2009. PLEASE NOTE: If the objection is made after 15 days from the date of supply, the same shall not be considered and the appointed date in this case will be 18-2-2009 i.e., 15 days from the date of actual delivery of goods. Accordingly, the due date of payment will be 20-02-2009.

CHANGES IN BUDGET RELATED TO MSMED ACT, 2006 Deduction for payments to Micro and small suppliers will now be on actual payment basis and not on payable basis as per amendment to Section 43B of the Income Tax Act,1961 in this Budget. A new clause has been added effective from 1.4.2024 the following clause has been inserted in section 43B of the Income Tax Act. "(h) 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 Act, 2006,"; Further the proviso in the section has been amended as follows : in the proviso, after the words "nothing contained in this section", the brackets, words and letter "[except the provisions of clause (h)]" shall be inserted; Thus, a combined reading of the above amendments means that any overdue amount to Micro and Small enterprises, by any assessee as on 31st March of a year should have been paid on or before 31st March i.e. the amount outstanding as payable should not be beyond the due date as in Section 15 of MSME Act. SECTION 43B OF THE INCOME TAX ACT, 1961 Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of—

a) any sum payable by the assessee by way of tax, duty, cess or fee, (by whatever name called, under any law for the time being in force);

b) any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees;

c) any sum payable as bonus or commission to employee for services rendered;

d) any sum payable by the assessee as interest on any loan or borrowing from any public financial institution or a State financial corporation or a State industrial investment corporation, in accordance with the terms and conditions of the agreement governing such loan or borrowing;

e) any sum payable by the assessee as interest on any loan or advances from a scheduled bank or (wef A.y 2018-19 from a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) in accordance with the terms and conditions of the agreement governing such loan or advances;

f) any sum payable by the assessee as an employer in lieu of any leave at the credit of his employee.

g) any sum payable to Indian Railways for the use of railway Assets (wef A.y 2017-18).

(h) 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 Act, 2006. Section 43B to include certain payments made to Railways shall be allowed as deduction only in the previous year in which such sum is actually paid. This is irrespective of the previous year in which the liability to pay such sum was incurred by the assessee. Provided that: Notwithstanding anything contained in any other provisions of this act' denotes that section 43B overrides all the sections in Income Tax Act, 1961, except the provisions of clause (h).

The revamped credit guarantee scheme for Micro, Small and Medium Enterprises (MSMEs) will take effect from April 1, through infusion of ₹9,000 crore in the corpus, said Union Finance Minister Nirmala Sitharaman while presenting the Union Budget 2023.

“This will enable additional collateral-free guaranteed credit of ₹2 lakh crore. Further, the cost of the credit will be reduced by about 1%,” she said.

“Further, in cases of failure by MSMEs to execute contracts during the COVID-19 period, 95% of the forfeited amount relating to bid or performance security will be returned to them by government and government undertakings. This will provide relief to MSMEs”, the Finance Minister said.

The total allocation for the MSME Ministry will see a nearly 42% increase for 2023-24 with ₹22,138 crore to be made available compared to ₹15,629 crore in 2022-23. Schemes such as Raising and Accelerating MSME Performance (RAMP) and Scheme for Fund for Regeneration of Traditional Industries (SFURTI) will see significantly higher allocation compared to FY23.

The Federation of Indian Micro and Small & Medium Enterprises (FISME) and the Coimbatore District Small Industries Association (CODISSIA) said in press statements that to ensure MSMEs received payments on time, the Budget has proposed that deduction for expenditure incurred on payments made to MSMEs will be allowed for buyers only when the payment is actually made. This means buyers cannot claim deduction without paying the MSMEs.

The FISME added that setting up of a National Financial Information Registry will help create a robust information system and help MSMEs access loans. The Common Universal Identifier for businesses proposed in the Budget will also rid MSMEs of the need for having multiple identities, it added.