

**New provision in respect of disallowance of expenses on delay payment to the Micro or Small Enterprise u/s. 43B(h) of the Income-tax Act, 1961 - applicable w.e.f. F.Y. 2023-24**

Particulars	Comments
<b>Purpose of amendment</b>	To promote timely payments to Micro and Small Enterprises
<b>Section 43B(h) of the Income-tax Act</b>	Any sum payable by the assessee to a <b>micro or small enterprise</b> beyond the time limit specified u/s. 15 of the MSME Act is allowable on actual paid basis
<b>Micro Enterprise</b>	<b>Investment</b> in P&M does not exceed Rs. 1 Cr. and <b>turnover</b> does not exceed Rs. 5 Cr.
<b>Small Enterprise</b>	<b>Investment</b> in P&M does not exceed Rs. 10 Cr. and <b>turnover</b> does not exceed Rs. 50 Cr.

**Illustration**

Date of Invoice	Due date of payment	Actual payment Date	In F.Y. 2023-24 (A.Y. 2024-25)	In F.Y. 2024-25 (A.Y. 2025-26)
01.03.2024	15 days	20.03.2024	Allowed	N.A.
15.03.2024	15 days	04.04.2024	Disallowed	Allowed
20.03.2024	Not agreed*	10.04.2024	Allowed (Since there is no liability to pay as on 31.03.2024)	N.A.
10.03.2024	Not agreed*	30.03.2024	Allowed	N.A.
10.03.2024	Not agreed*	02.04.2024	Disallowed	Allowed
01.02.2024	60 days**	01.04.2024	Disallowed	Allowed

\*If payment terms are not agreed, 15 days as per the Income-tax Act

\*\*Cannot exceeds more than 45 days as per the MSME Act

**Definitions as per the MSME Act:**

Definition	Particulars
<b>Enterprise</b>	An industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.
<b>Section 15</b>	Where any <b>supplier</b> , supplies any goods or renders any services to any <b>buyer</b> , 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 45 days.
<b>Supplier</b>	A micro or small enterprise, which has filed a memorandum with the authority u/s. section 8(1), and includes a) the National Small Industries Corporation, being a company, registered under the Companies Act; b) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act; c) 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.
<b>Buyer</b>	Whoever buys any goods or receives any services from a supplier for consideration.

**Steps to identify whether a vendor is a Small or Micro Enterprise:**

1. Search for Udyam Number mentioned in the invoices issued by the Vendor.
2. Obtain and verify the details from the recent Udyam Registration Certificate provided by the Vendor.
3. Obtain a confirmation from the Vendor (refer enclosed format).

**On the letter head of Vendor**

Date: \_\_\_\_\_

To,  
Client Name: \_\_\_\_\_  
PAN: \_\_\_\_\_  
GST: \_\_\_\_\_  
Address: \_\_\_\_\_

**Confirmation**

I / We confirm that the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 are applicable to me / us and my / our Udyam Registration No. is \_\_\_\_\_ (copy of Udyam Registration Certificate enclosed).

My / Our entity falls under the following enterprises as per the provisions of the Micro, Small and Medium Enterprises Development Act, 2006:

- a) Micro Enterprise      [ / ]
- b) Small Enterprise      [ / ]
- c) Medium Enterprise    [ / ]
- d) Other                    [ / ]

We further confirm that the credit period agreed under the Micro, Small and Medium Enterprises Development Act, 2006 between the above-mentioned entity and me / us is \_\_\_\_ days.

Name of Vendor:

Signature  
[Authorised Person Name]