

# Change in IT Act yet to benefit MSMEs

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Employees work at an assembly line (INDIA – Tags: BUSINESS TRANSPORT) | Photo Credit: ANINDITO MUKHERJEE

An intervention introduced in the Union budget last year to ensure timely payments to micro and small-scale units in the manufacturing and service sectors is also hurting a section of the industry.

Section 43 b (h) of the Income Tax Act says payments due to UDYAN-registered micro and small-scale industries would be allowed as deduction only if the actual payment was made within the time stipulated in the MSME Act. Otherwise, the payment would be treated as income and taxed accordingly.

If a micro or small-scale unit had a written agreement with a medium or large scale industry for supply of components, spares, or any other product or service, the payment should be made by the buyer within 45 days. If there was no agreement, the payment should be made within 15 days.

According to Anil Bhardwaj, secretary general of the Federation of Indian Micro and Small & Medium Enterprises, MSMEs would only benefit from this in the long run as they would get payments on time.

However, B. Kandavel, organising secretary of the Federation of Tamil Nadu Powerlooms Associations, said the risk for the micro units was that the buyers would prefer to source from suppliers who were not UDYAN-registered. For instance, weavers in Tamil Nadu supplying textile products to large-scale retailers or wholesale traders got the payments once in three months or so. Many of them were now either reducing the payment as the credit period had come down or preferred to source from unregistered suppliers, he said.

V. Thirugnanam, president of the Coimbatore District Small Industries Association, said the intervention would aid the MSMEs though it would take time for the system to settle down and would also temporarily have an impact on the working capital of the buyers.