

## **COMPLIANCES TOWARDS PAYMENT DUES OF MSME**

### **TRADE RECEIVABLES DISCOUNTING SYSTEM**

The Ministry of Micro, Small and Medium Enterprises vide its notification no. S.O. 5621(E), dated November 2, 2018, has mandated the following entities to onboard on the Trade Receivables Discounting System platform, established in compliance with the notification of the Reserve Bank of India:

- all companies registered with the Companies Act, 2013 having a turnover more than Rs. 500 crore and
- all Central Public Sector Enterprises.

The Registrar of Companies in each State shall be the competent authority to monitor the compliance of the instructions by companies under its jurisdiction. The Department of Public Enterprises, Government of India shall be the competent authority to monitor the compliance of the instructions by Central Public Sector Enterprises.

### **HALF-YEARLY RETURN**

The Ministry of Micro, Small and Medium Enterprises vide its notification no. S.O. 5622(E), dated November 2, 2018, has prescribed the filing of half-yearly return to Ministry of Corporate Affairs (MCA) stating:

- the amount of payments due and
- the reasons of delay,

for all the companies which

- receives goods or services from micro or small enterprises and
- whose payments to micro and small enterprises suppliers exceed 45 days from the date of acceptance or date of deemed acceptance of the goods or services as per the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

## **RELATED DEFINITIONS**

### **MICRO ENTERPRISE**

Section 2(h) of the Micro, Small and Medium Enterprises Development Act, 2006, states that micro enterprise means an enterprise classified as such under sub-clause (i) of clause (a) or sub-clause (i) of clause (b) of sub-section (1) of section 7.

As per section 7(1)(a)(i), “micro enterprise” means an enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 and investment in plant & machinery doesn’t exceed more than twenty-five lakh rupees.

As per section 7(1)(b)(i), “micro enterprise” means an enterprise engaged in providing or rendering services and investment in equipment doesn’t exceed more than ten lakh rupees.

### **SMALL ENTERPRISE**

Section 2(m) of the Micro, Small and Medium Enterprises Development Act, 2006, states that small enterprise means an enterprise classified as such under sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b) of sub-section (1) of section 7.

As per section 7(1)(a)(ii), “small enterprise” means an enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 and investment in plant & machinery is more than twenty-five lakh rupees but doesn’t exceed five crore rupees.

As per section 7(1)(b)(ii), “small enterprise” means an enterprise engaged in providing or rendering services and investment in equipment is more than ten lakh rupees but doesn’t exceed two crore rupees.

## **MEDIUM ENTERPRISE**

Section 2(g) of the Micro, Small and Medium Enterprises Development Act, 2006, states that “medium enterprise” means an enterprise classified as such under sub-clause (iii) of clause (a) or sub-clause (iii) of clause (b) of sub-section (1) of section 7.

As per section 7(1)(a)(iii), “medium enterprise” means an enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 and investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees.

As per section 7(1)(b)(iii), “medium enterprise” means an enterprise engaged in providing or rendering services and investment in equipment is more than two crore rupees but does not exceed five crore rupees.

*DISCLAIMER: The information given in this document has been made on the basis of the provisions stated in the Micro, Small and Medium Enterprises Development Act, 2006 and the referred notifications as stated in this article. This document is for general information purposes only and is not a legal advice or a legal opinion. You should seek the advice of legal counsel of your choice before acting upon any of the information in this document. Under no circumstances whatsoever, we are not responsible for any loss, claim, liability, damage(s) resulting from the use, omission or inability to use the information provided in the document.*

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