



# TRIVANDRUM CHAMBER OF COMMERCE AND INDUSTRY

Affiliated to  
Member

**FICCI** - Federation of Indian Chambers of Commerce & Industry, New Delhi  
**ASSOCHAM** - Associated Chambers of Commerce and Industry of India, New Delhi.

Ref: 097/ TCCI-MSME-DFO/2024

09<sup>th</sup> July 2024

To,

Shri. S.C.L. DAS,  
Secretary,  
Ministry of Micro, Small & Medium Enterprises,  
Government of India.

Dear Sir,

Sub: Request for Extension & Modification of Income Tax Act Section 43B-reg

Our numerous MSME Members, have requested us to bring to your attention the significant challenges posed by the recent amendment to the Income Tax Act Section 43B, Clause H, as it relates to the MSMED Act 2006: -

## **Facts Regarding the New Amendment**

The new Amendment to Section 43B of the Income Tax Act aims to assist MSMEs in recovering payments from entities with outstanding dues beyond the maximum credit days allowed under the MSMED Act 2006, thus providing them access to their own capital. This Rule, effective from FY 2023-24, mandates that any Assessors must repay MSMEs registered under Udhyam, classified as Micro/Small manufacturers or service providers (excluding traders), within the stipulated time frame.

## **Challenges Faced by Our Members**

While we appreciate the intent of the Ministry of Finance to support MSMEs, the practical implications of this Rule pose severe challenges, as outlined below:

- 1. Customer Hesitancy:** Many of our customers have expressed concerns about the difficulty of purchasing from MSMEs under the new classification due to the constraints imposed by the Rule. Consequently, they are opting to buy from traders or medium/large-scale suppliers, thus bypassing MSMEs.
- 2. Auditor Advisories:** Auditors are advising their clients to avoid purchasing from MSME suppliers under this classification. The additional responsibility of reporting disallowances under Section 43B, Clause H, increases their workload and time consumption.

**3. Trader Constraints:** A significant portion of MSME supplies are directed to traders who, under current law, are not obligated to clear dues within 15 or 45 days. Practically, it is infeasible for such traders to settle payments to MSMEs within the stipulated period.

### **Our Requests**

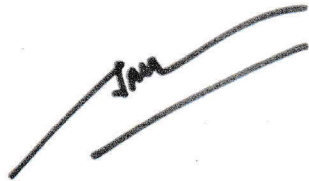
In light of these challenges, we request the following considerations: -

- 1. Inclusive Rule Modification:** Modify the Rules to encompass all Parties in the supply chain, including traders, medium, and large-scale entities, as well as micro and small players not registered under Udhyam. This inclusive approach would prevent selective purchasing decisions and provide legal backing for downstream players to receive timely payments, thus fostering a healthier payment ecosystem.
- 2. Extension and Consultation:** We urge your esteemed office to consider extending the implementation of the Rule and initiate a broader Stakeholder consultation. This will ensure that all affected parties have the opportunity to provide input and the resultant policy is well-rounded and practicable.

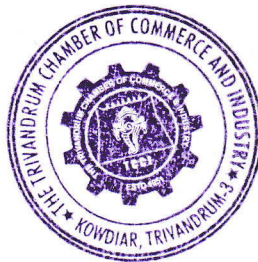
We believe that these modifications will alleviate the concerns of our members and contribute to the overall stability and growth of the MSME sector.

Yours faithfully,

For TCCI



**SN Raghuchandran Nair**  
**President**



**Abraham Thomas (Joji)**  
**Secretary**

Copy to:

1. Hon'ble Prime Minister's Office
2. Hon'ble Ministry of Micro, Small & Medium Enterprises
3. Laghu Udyog Bharathi