

## Study on MSME – A Game Changer



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### **Introduction**

All Business Enterprises, whether commercial or non-commercial, commence their activities in a bootstrapped manner. Over the years, with their vision, persistent conviction, dedication, and relentless efforts they unfold their wings to grow by leaps and bounds to establish themselves progressively as Larger and Bigger Companies. These Enterprises may be owned by HNIs, Companies and Multinational Conglomerates, and could have operations which may stretch even beyond the Indian frontiers. Some can even be called Global Citizens of the world harnessing modern technology innovations and/or developments - participating competitively in the international arena.

The Ministry of Micro Small and Medium Industries vide Notification no SO 2119 (E) dated June

26,2020 issued a Master Circular on definition of MSME, which majorly revamped the old definition of MSME, 2006 by explicitly widening the eligibility criteria of registration for MSMEs viz. Manufacturing and Services – both now considered on the same footing. By this, the Ministry has heeded to the demands of Trade and Industry to consider both the activities for the purpose of eligibility of registration and also in terms of transitioning of existing registered participants in the MSME category. Accordingly, the old criterion of either manufacturing or services has been done away w.e.f July 1,2020 and now registration has been designated as “Udyam” in place of Udyog Registration. The Ministry of MSME is of the view that “Udyam” Registration explicitly depicts both the manufacturing as well as service sectors of business, trade and commerce etc. This shift recognises that over time, the eligibility models need to change by being broader and more inclusive. “Udyog” Registration was essentially tilted towards manufacturing, although the MSME Act 2006 recognised both the activities viz. Manufacturing activities and Services activities for eligibility of registration under its definition of enterprises.

With the change in criteria as per new MSME schema, every new registered person needs to obtain

registration only as per new schema from July 1,2020. Thus, it must be noted that the old criteria have become redundant in respect of new registrations.

In the case of old Registrants, who are registered under EM II or UAM, they can apply for new registration any time after July 1,2020 till March 31,2021 which was extended to 30.06.2022 through series of notifications. If they fail to so register before March 31,2022, then the benefits that were available pursuant to their MSME registrations shall stand suspended/withdrawn permanently.

As I understand, the MSME Sector contributes around 30% to the GDP of the Country. With the latest expansionary amendments in the definition of term “Enterprise” whereby the registration criteria have been amended by increasing the limits of turnover and investment combined together, the message stands out and positively indicates that the Sovereign intends and is committed with conviction to increase the contribution of MSME Sector to the GDP of Country. This growth will be catalysed through significant initiatives such as introducing Fiscal incentives, Monetary incentives, Stringent Law compliances, Robust monitoring systems, Direct Transfer Benefits, Public and Private Partnerships,

SME Exchange Listing, Online E commerce platforms, Preferential Trade Treatments, Cross Border Trade Benefits, Commitment to release MSME dues within 45 days by all PSUs etc. Such measures should propel overall growth of the wider cross section of the population and provide a level playing field for all the stakeholders in general.

### **Broad Coverage of this Article**

- Definition and Criteria of MSME viz. New and Old
- Objective/s and salient features of Udyam Registration under new MSME schema
- Eligible Enterprises for Udyam registration under New MSME schema
- List of permitted Business Activities for Udyam Registration under NEW MSME Schema
- List of Business Activities which are not permitted for Udyam Registration under NEW MSME Schema
- Documentation requirements for MSME Registration
- Udyam Registration Process
- Udyam Registration Benefits
- Calculation of investment in Plant and Machinery or Equipment
- Calculation of Turnover

- Suggestions for the maintenance of accounting data in respect of MSME
- Impact of MSME registration and disclosures requirements under Income Tax Act 1961
- Impact of MSME Registration and disclosures requirements under Companies Act 2013
- Impact of MSME Registration and Disclosure requirements under The Limited Liability Partnership Act 2008
- Impact of MSME Registration and Disclosure requirements under Goods and Services Act, 2017
- Opportunities for the Professionals in the MSME Segments in General
- Conclusion

### **Definition and Criteria of MSME viz. New and Old**

#### New Definition of MSME

Section 2 (e) defines “enterprise” means 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

(55 of 1951) or engaged in providing or rendering of any service or services.

Udyam Registration <a href="http://www.udyamregistration.gov.in">www.udyamregistration.gov.in</a>			
Revised MSME Classification			
Emphasis Criteria: Investment & Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 Crore & Turnover, Rs. 5 Crores.	Investment < Rs. 10 Crores & Turnover, Rs. 50 Crores.	Investment < Rs. 50 Crores & Turnover, Rs.250 Crores.
Multiplier upwards – upgradation classification would be applicable from next FY only	Base	10 times as compared preceding classification	5 times as compared preceding classification
Multiplier Downwards reverse classification would be applicable from next FY only	1/10 <sup>th</sup> of succeeding classification	1/5 <sup>th</sup> of succeeding classification	Base

For upward change, Notification No S 0 4926 (E) dated 18.10.2022 – clarification on continuation of benefits in the case of Upward change of MSME re-classification happening in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all nontax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of three years from the date of such upward change."

Udyog Registration <a href="http://www.udyogaadhaar.gov.in">www.udyogaadhaar.gov.in</a>			
Old MSME Classification			
Emphasis Criteria: Investment in Plant and Machinery or Equipment			
Classification	Micro	Small	Medium
Manufacturing	Investment < Rs. 25 Lakhs	Investment < Rs. 5 Crores	Investment < Rs. 10 Crores
Services	Investment < Rs. 10 Lakhs	Investment < Rs. 2 Crores	Investment < Rs. 5 Crores

Thus, it can be observed that the Classification norms have been amended from July 1, 2020 for eligible enterprises intending to get themselves registered under new MSME Schema and dispensation.

Consequent to the issue of above Notifications w.e.f July 1, 2020, following notifications stand withdrawn with immediate effect:

- S O 1702 (E) dated 01.06.2020 – New definition of MSME
- S O 2052 (E) dated 30.06.2017 – was regarding UAM and Its guidelines
- S O 3322 (E) dated 01.11.2013 – was regarding non tax benefits for 3 years in case of upward graduation
- S O 1722 (E) dated 05.10.2006 – was for exclusion of certain plant and machineries

**Objective and peculiar features of Udyam Registration under new MSME Schema**

## *CHAMPIONS*

*Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength*

It has been felt necessary to put up and promote a unified, empowered, robust, bundled and technology driven platform for helping and promoting the Micro, Small and Medium Enterprises (MSMEs) of the country. As the name suggests, it will aim at Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength. Accordingly, the name of the system is CHAMPIONS. This is basically for making the smaller units big by helping and handholding.

### Three basic objectives of the CHAMPIONS:

1. To help the MSMEs in this difficult situation in terms of finance, raw materials, labour, permissions, etc.
2. To help the MSMEs capture new opportunities including manufacturing of medical items & accessories.
3. To identify the sparks, i.e., the bright MSMEs who can withstand at present and become national and international champions.

(Source: <https://www.champions.gov.in/Government-India/Ministry-MSME-Portal-handholding/msme-problem-complaint-welcome.htm>)



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- *One Nation One MSME Registration for each Udyam Registration based on Aadhaar number (similar to GST, PAN, TAN, IEC Code, Passport Number, One Nation Ration Card) which indicates that Sovereign will do a 360-degree monitoring based on one's Aadhaar Number.*
- *Such certificate of registration shall be provided free of cost.*
- *Such registration is voluntary and not compulsory under the provisions of MSME Act 2006 but it is recommended to get registered under the Act to enjoy various benefits listed above in subsequent paras of the article.*
- *Upwards and Downwards applicability of MSME Criteria based on scales of operations which would be integrated based on ITR and GST Returns filed by the applicants, thus now classification would become dynamic.*
- *Registration criteria is linked to ITR and GST Returns filed by the Registered Person.*

- *Information in respect of Value of Plant and Machinery and GST Turnover shall be verified by syncing information from the respective appropriate authorities.*
- *Investment linked to declared values in ITR as per section 32 of the Income Tax Act 1961.*
- *Registration on the basis of self-declarations without any documentation uploads.*
- *Presently Registration can be obtained on the basis of Aadhaar Number.*
- *PAN and GST would be mandatory w.e.f April 1,2021.*
- *Turnover linked to GSTR Returns viz. GSTR 1.*
- *Only one Master Notification No SO 2119 (E) dated June 26,2020 as amended from time to time.*
- *Calculation of Investments in Plant & machinery or Equipment*

- Linked to ITR of the previous years filed under Income Tax Act 1961
- Self-Declaration by New Enterprises till March 31 of the financial year in which ITR is filed
- Plant and Machinery as defined under the Income Tax Act 1961
- All Tangible assets other than Land and Building Furniture and Fittings (even vehicles can be included now in the definition of assets)
- For arriving at value of Investments, GST levied should be excluded from the cost of asset
- Such process changes shall contribute to ease of doing business for all the stakeholders.
- *Calculation of Turnover*
  - Exports turnover to be excluded from the definition of turnover – this would help all stakeholders to retain the classification based on their domestic activities in general.

- Turnover linked to the Income Tax Act 1961 and GST Act 2017
- Self-declaration of Turnover & Investment in Plant and Machinery up to March 31,2021 in case of new enterprises seeking registration on UDYAM Portal.
- *No limit of Manufacturing or Service or trading activities in one registration*
- *Existing Enterprises having EM – Part II/UAM to get Udyam Registration after July 1,2020 but before March 31,2021 which was extended to 30.06.22 but as of today this has been mentioned only for reference as it is irrelevant now as today viz.23.02.2023*
- *Existing registration under old MSME definition are valid only till 31.03.2021 which was extended to 30.06.22 but as of today this has been mentioned only for reference as it is irrelevant now as today viz.23.02.2023*

- *If anyone who was registered as MSME earlier and who have not missed the deadline of 30.06.2022, then they need to register as new applicant on the Udyam platform.*
- *MSME SAMADHAAN compliant portal has been planned for the Delayed Payment Monitoring System which can be used as a redressal forum by MSME Registered persons.*
- *MSME SAMBANDH - Procurement from Central Ministries / Departments / CPSEs – which can help MSME to build their businesses for supplying their goods or services in respect of plethora of schemes introduced by the Sovereign to help MSME Sector in general.*
- *If any person registers on Udyam Registration Portal with incorrect details, then the person is subject to penal provisions as provided under MSME Act 2006.*
- *There is no limit to number of employees which a Business Enterprise can employ for the purpose of their business activities.*

**Eligible Enterprises for Udyam registration under New MSME schema.**

*Any Kind of Business Entity or Enterprise or Undertaking is qualified to acquire the Udyam Registration Certificate: -*

- *Individual or Proprietorship*
- *Hindu Undivided Family (HUF)*
- *Undertaking*
- *Partnership firm*
- *Limited Liability Partnership (LLP)*
- *Company*
- *Co-operative Societies*
- *Association of persons or Body of Individuals*
- *Others*

**List of permitted Business Activities for Udyam Registration under NEW MSME Schema**

- *Enterprises engaged in manufacturing*
- *Enterprises engaged in services*
  - *Services covered (Illustrative)*
    - *Business Processing Services or Knowledge Processing Services*
    - *Celebrity Management Services*
    - *Sports Management Services*

- *Event Management Services*
- *Logistics Management Services*
- *Tours and Travel Management Services*
- *Consultancy Services including Management Services;*
- *Renting of Agricultural Machinery (Harvesting)*
- *Composite Broker Services in Risk and Insurance Management;*
- *Third Party Administration (TPA) Services for Medical Insurance Claims;*
- *Seed Grading Services;*
- *Training-cum-Incubator Centre;*
- *Educational Institutions;*
- *Training Institutes;*
- *Practice of Law, i.e., Legal services;*
- *Trading in medical instruments (brand new);*
- *Placement and Management Consultancy Services; and*

- *Advertising agency and Training centres*
- *Re-treading of tyre*
- *Infrastructure and real estate activities*
- *Power Distribution Service*
- *Warehouse, godown and cold storage services*
- ***Enterprises engaged in Trading w.e.f July 2,2021 however, benefits to Retail and Wholesale Trade MSMEs are to be restricted to Priority Sector Lending only.***

**List of Business Activities which are not permitted for Udyam Registration under NEW MSME Schema**

- *Forestry and logging*
- *Fishing and aquaculture*
- *Activities of households as employees for domestic personnel*
- *Undifferentiated goods and services producing for own use.*
- *Activities of extraterritorial organisations and bodies*



### **Documentation requirements for Udyam Registration**

- *Aadhaar – Proprietor, Partner, HUF and in case of companies – Aadhaar number of authorised signatories*
- *Aadhaar Number has to be linked to PAN Number of the Assessee.*
- *Now Income Tax Return can be filed based on Aadhaar Number whereby PAN Number shall be allotted such Aadhaar Card holder by the Income Tax Department.*
- *Value of Plant and Machinery as reported in ITR and GST Turnover details shall be automatically verified through GSTN Portal.*
- *List of Business activities to be listed out in the Udyam registration applications (no limit to any number of activities) but care should be exercised that whatever activities that we are reporting are the same activities disclosed under other laws viz. Income Tax, GST, Company Law or any other Law.*

## **Udyam Registration Process**

*An altogether new system introduced for registration at <http://Udyamregistration.co.in>;*

- Minimum details required with self-declaration of Investment in Plant & Machinery and Annual Turnover*
- Aadhar Number is mandatory*
- No Fees required to be paid*
- No documents required to be submitted*
- On completion e-certificate containing PIN shall be generated*
- Certificate will have dynamic QR Code from which the web page on the Portal and details can be accessed.*
- There will be no need for renewal of Registration.*
- PAN & GST linked details on investment and turnover will be taken automatically from Govt databases.*
- On the basis of ITR/GST Returns re-classification of categories shall be done.*
- PAN and GST shall be mandatory from 1st April 2021.*
- Those having EM-II or UAM registration will have to re-register themselves or obtain fresh registration if timelines are lapsed.*
- No enterprise shall file more than one Udyam Registration.*

- *Any number of activities including manufacturing or service or trading may be specified or added in one Registration*

### **Udyam Registration Benefits**

- *Subsidized Loan from banks with low interest rate*
- *Collateral free loans from banks*
- *Protection against delayed payments, against material/services supplied*
- *Time Bound resolution of disputes with Buyers*
- *ISO certification fees reimbursement*
- *NSIC performance and credit rating fees subsidy*
- *Counter Guarantee from Government of India through CGSTI*
- *Electricity bills concession*
- *Ease of obtaining registrations, licenses, and approvals*
- *Special beneficial reservation policies in the manufacturing/ production sector*
- *Preference in procuring Government Tenders*
- *Government security deposit (EMD) waiver (Useful while participating tenders)*
- *Patent registration subsidy*
- *International trade fair special consideration*

- *Technology Upgradation linked subsidy*
- *Industrial Promotion Subsidy (IPS) Subsidy Eligibility*

**Calculation of investment in Plant and Machinery or Equipment**

- *The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.*
- *The expression –plant and machinery or equipment of the enterprise, shall have the same meaning as assigned to the plant and machinery under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).*
- *The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.*
- *In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.*

- *The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.*

### **Calculation of Turnover**

- *Exports of goods or services or both shall be excluded while calculating the turnover of any enterprise*
- *Information as regards turnover and export turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.*
- *The turnover related figures of such enterprises which do not have PAN will be considered on self-declaration basis for a period up to 31st March 2021 and thereafter, PAN and GSTIN shall be mandatory.*

### **Suggestions for the maintenance of accounting data in respect of MSME**

Maintenance of accounting records plays a significant role for the timely recording, reporting and compliance in respect of the MSME. Each stakeholder must be vigilant

in maintaining the records so that such information is available at the click in respect of records maintained in electronic formats. Following records may be maintained which will prove to be greatly beneficial for enterprises in general:

- All Organisations shall maintain the digital copies of all statutory registrations so that same can be shared with clients or any authorities if desired.
- All Organisations shall introduce the process of KYC for pre-qualifying their suppliers to identify if they are registered under the provisions of MSME. If not registered, then suitable declarations duly executed on the letterhead of the client must be kept on record;
- If Supplier is registered under MSME then such Udyam registration information should be properly and prominently disclosed on all Tax Invoices, Vouchers, Documents, physical and electronic Communications so that Client or Recipient is aware that supplier is registered under the MSME category;
- The accounting systems of all Stakeholders shall capture such information of MSME registrations so

that transactions or supplies procured are captured in the ***MIS reporting to ensure that their dues are settled on or before the 45 days from the date of the valid invoice irrespective of the credit period given by the suppliers;***

- ***An MSME Supplier whose dues are not getting settled within 45 days can, as an aggrieved person, file a complaint on MSME SAMADHAAN – Delayed Payment Monitoring System.***
- If the dues of MSME Vendors are settled on or before 45 days, then it would save the outgo on account of interest payable to such vendors as per section 23 of the MSME Act, 2006.
- Timely settlement of MSME dues would help to build the goodwill of an enterprise and at the same time it would also benefit the MSME Vendors in general.
- If Accounting MIS reports are well conceptualised, designed and formalised, it would help to improve the working capital management of the business enterprise. (Fields of information in Accounting MIS

Reports can be synchronised with various reporting requirements under Income Tax Act 1961, Companies Act 2013, The Limited Liability Partnership Act 2008 and any other laws. These are covered in subsequent paras, thus same are not deliberated here).

- Proper compliance with Udyam norms by all stakeholders shall benefit everyone whereby the MSME Sector shall achieve greater presence and hegemony in various spheres of business activities. It will enable today's MSME Enterprises to scale up its operations which in turn would generate employment opportunities for a gender-neutral workforce in most segments of business activities;
- Considering the data integration and cross-verification of Income Tax Returns with MSME Udyam Registration and reporting of Transactions in Form 26AS/AIS/TIS as well as Compliance on the Income Tax Portal, care should be taken to ensure that accounting data is always reconciled across all data points before filing of Income Tax Returns of any enterprises;



- While capitalising any item of Plant and Machinery in the books of accounts, care should also be appropriately taken that they are capitalised considering the provisions of MSME Act 2006 and claiming the benefits of Input Tax Credits as permissible under the provisions of Goods and Services Act 2017 and it is properly disclosed in the Depreciation Schedule of the Business Enterprise in general.
- If any capital subsidy is received under MSME provisions granting such benefits, then such subsidy needs to be reduced from the cost of such Plant and Machinery and it should be properly accounted in the books of accounts of the Business Enterprise.
- If Revenue subsidy is received under MSME provisions granting such benefits, then it should be disclosed as “Other Income “in the books of account of the business enterprise and it should also be reported and disclosed appropriately in the financial statements of the MSME Business Enterprise.

- If MSME Compliances are routinely and properly adhered to, it would help an Enterprise to enjoy a good credit rating, and will also enable it to obtain concessional loans at lower rates of interest. Sovereign is encouraging MSME sector by providing various concessions such as Capital Subsidies, GST Refunds, Waiver of Loan processing fees, Reduced rate of fees in respect ISO Certifications, Reduced Rates of electricity charges and so on.....
- To conclude, in my considered opinion, good accounting documentation, timely accounting and professionally designed MIS reports can play a significant and vital role in MSME compliance of any business enterprise. In fact, such an accounting centre can act as a Profit Centre for evaluating the yardstick performance of a business enterprise.

### **Impact of MSME Registration and Disclosure Requirements under Income Tax Act 1961**

Under the provisions of the Income Tax Act, 1961 several obligations are cast upon the Business Assesseees in respect of business transactions with MSME. Non-compliance can result in monetary outgo in the form

of penalties for the incorrect determination of Total Income u/s 28 of the Income Tax Act 1961 irrespective of the fact as to whether Tax Audit is applicable u/s 44AB or presumptive system of taxation under section 44AD/Section 44ADA/ Section 44AE and certain other provisions.

Before deliberating further, certain relevant extracts of the Income Tax Return as well as Income Tax Act, 1961 & MSME Act 2006 of the Business Assessee are reproduced hereunder: -

**Information in the Income Tax Returns (only Relevant information)**

Form ITR 3 – for Individuals and HUFs having Income from Profits and Gains Business or Profession.

Part A – P & L – 51- Interest – ii (to others) – disclosure of interest paid

Part A – OI – Other information (mandatory if liable for Audit under section 44AB, for other fill if applicable)

Schedule BP – Computation of Business or Profession – A  
-19- Interest disallowable under section 23 of Micro, Small and Medium Enterprises Development Act, 2006.

Similar information is also required to be disclosed and reported in the Corporate Income Tax Return of the Assessee in Form ITR 6.

**Interest inadmissible u/s 23 of MSMED Act, 2006 applicable to all Business Enterprises.**

**Section 44AB -Audit of accounts of certain persons carrying on business or profession**

44AB. Every person, —

(a) carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year:

[Provided that in the case of a person whose—

(a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount; and

(b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment,

this clause shall have effect as if for the words "one crore rupees", the words "ten crore rupees" had been substituted; or]

(b) carrying on profession shall, if his gross receipts in profession exceed seventy-five lakh rupees **(increased from Rs.50 Lakhs) from Assessment Year 2024/25 subject to 5% limit of cash receipts** in any previous year; or

(c) carrying on the business shall, if the profits and gains from the business are deemed to be the profits and gains of such person under section 44AE or section 44BB or section 44BBB, as the case may be, and he has claimed his income to be lower than the profits or gains so deemed to be the profits and gains of his business, as the case may be, in any previous year; or

(d) carrying on the profession shall, if the profits and gains from the profession are deemed to be the profits and gains of such person under section 44ADA and he has claimed such income to be lower than the profits and gains so deemed to be the profits and gains of his profession and

his income exceeds the maximum amount which is not chargeable to income-tax in any previous year; or

(e) carrying on the business shall, if the provisions of sub-section (4) of section 44AD are applicable in his case and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year, get his accounts of such previous year audited by an accountant before the specified date and furnish by that date the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed:

Provided that this section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD and his total sales, turnover or gross receipts, as the case may be, in business does not exceed three crore rupees **(increased from Rs.2 crores ) from Assessment Year 2024/25 subject to 5% limit of cash receipts** in such previous year:

Provided further that this section shall not apply to the person, who derives income of the nature referred to

in section 44B or section 44BBA, on and from the 1st day of April, 1985 or, as the case may be, the date on which the relevant section came into force, whichever is later :

Provided also that in a case where such person is required by or under any other law to get his accounts audited, it shall be sufficient compliance with the provisions of this section if such person gets the accounts of such business or profession audited under such law before the specified date and furnishes by that date the report of the audit as required under such other law and a further report by an accountant in the form prescribed under this section.

Explanation. —For the purposes of this section, —

(i) "accountant" shall have the same meaning as in the Explanation below sub-section (2) of section 288;

(ii) "specified date", in relation to the accounts of the assessee of the previous year relevant to an assessment year, means 91[date one month prior to] the due date for furnishing the return of income under sub-section (1) of section 139.

This clause 22 is applicable to all the Assesseees and requires Tax Auditor to report specifically in Form No 3CD, the amount of interest inadmissible u/s 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED, Act 2006).

As per the said section, any interest for delayed payment to Micro, Small and Medium Enterprises is not allowed as deductible expenditure while computing the income of the assessee under the Income Tax Act, 1961.

***If Tax Auditor does not report such fact of non-deductible expenditure in Form 3CD signed by him, then he shall be liable to face the disciplinary actions as per Code of Ethics applicable to any member who is governed as per the provisions of the Chartered Accountants Act, 1949.***

**Section 194A of The Income Tax Act 1961-Interest other than "Interest on securities".**

194A. (1) Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of interest other than income by way of interest on securities, shall, at the time of credit of such income to the account of the payee or at the time



of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force:

Provided that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed 38[one crore rupees in case of business or fifty lakh rupees in case of profession] during the financial year immediately preceding the financial year in which such interest is credited or paid, shall be liable to deduct income-tax under this section.

Explanation. —For the purposes of this section, where any income by way of interest as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

If TDS is not deducted u/s 194A of the Income Tax Act 1961 at the applicable and prescribed rates as per threshold limits specified, then Assessee can be termed as

Assessee in default as per the provisions of Chapter XVII-B of the Income Tax Act 1961 and all recovery and adjudications proceedings can be initiated for which compounding as well as prosecution proceedings under the respective chapters can be initiated.

If TDS provisions are applicable then Assessee is duty bound to obtain TAN Number, pay the TDS electronically, file TDS returns electronically as per due dates specified and issue appropriate TDS certificates in Form No 16A for each quarter and if such provisions are not complied then consequent provisions of defaults also shall be applicable to such persons.

Please note that Finance Bill every year has enlarged the scope of TDS provisions applicable to all Business Enterprises based on the Gross Turnover Criteria with the intention to enlarge coverage to cover as many assesseees under the provisions of the Income Tax Act 1961.

### ***Section 43B Changes by Finance Bill, 2023***

Payments to MSME Enterprises as provided under section of 15 MSME Act are now included for the purpose of disallowing u/s 43B(h) of the Income Tax Act 1961 for all

the assessee (whether tax audit is applicable or not) *(i.e. any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15<sup>54b</sup> of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)*, which essentially means that if payment to such supplier is not done as per timelines specified then it would be compulsorily disallowed but allowed to be deducted on payment basis only.

**Following clause (g) shall be substituted for the existing clause (g) of Explanation 4 to section 43B by the Finance Act, 2023, w.e.f. 1-4-2024:**

<b>(e)</b>	<b><i>"Micro enterprise" shall have the meaning assigned to it in clause (h) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006);</i></b>
<b>(g)</b>	<b><i>"Small enterprise" shall have the meaning assigned to it in clause (m) of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)</i></b>

Let us examine which enterprises would be termed as **“micro or small enterprises** “for the purpose of complying with Section 43B(h) of the Income Tax Act, 1961. Tabulation (supra) is reproduced below:

Section 2 (e) defines “enterprise” means 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 (55 of 1951) or engaged in providing or rendering of any service or services.

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Emphasis Criteria: Investment & Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 Crore & Turnover, Rs. 5 Crores.	Investment < Rs. 10 Crores & Turnover, Rs. 50 Crores.	Investment < Rs. 50 Crores & Turnover, Rs.250 Crores.
Multiplier upwards – upgradation classification would be applicable from next FY only	Base	10 times as compared preceding classification	5 times as compared preceding classification
Multiplier Downwards reverse classification would be applicable from next FY only	1 / 10 <sup>th</sup> of succeeding classification	1 / 5 <sup>th</sup> of succeeding classification	Base

For upward change, Notification No S 0 4926 (E) dated 18.10.2022 – clarification on continuation of benefits in the case of Upward change of MSME re-classification happening in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all nontax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of three years from the date of such upward change."

Udyog Registration <a href="http://www.udyogaadhaar.gov.in">www.udyogaadhaar.gov.in</a>			
Old MSME Classification			
Emphasis Criteria: Investment in Plant and Machinery or Equipment			
Classification	Micro	Small	Medium
Manufacturing	Investment < Rs. 25 Lakhs	Investment < Rs. 5 Crores	Investment < Rs. 10 Crores
Services	Investment < Rs. 10 Lakhs	Investment < Rs. 2 Crores	Investment < Rs. 5 Crores

In my view as the amendment to section 43B of the Act would allow the payment as deduction only on payment basis, it will be allowed on accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act.

**Further, disallowance u/s 43B of the Income Tax Act, 1961 shall not applicable to the enterprises falling under the categories of “medium enterprises”. Thus, such classification needs to be examined and monitored on yearly basis.**

**Further, there is dissenting view expressed by many experts that even though Traders are allowed to be registered under the provisions of MSME Act, 2006, that such traders can't be considered as enterprise as envisaged under MSME Act, 2006. With utmost respect, as author of this article, I would like to state that such aggressive view would increase the litigation and time involved in getting relief from the litigation**

**by exploring alternative remedies is often unpredictable which may hamper the business feasibility of many enterprises in general.**

**All Taxpayers need to consider the above provisions while planning for their Advance Tax liability, MAT/AMT Workings and/or its impact on carry forward of business loss as per the provisions of the Income Tax Act and Rules thereunder especially considering time limits specified u/s 139 shall not extended in future.**

Liability outstanding as on 31st March of the previous year shall be allowed as deduction only if paid within 15/45 days (which period shall expire any time after 31st March), as the case may be.

For the balance, only on payment basis in the respective financial years.

**(Food for Thought: Will the taxpayer/assessee need to streamline to capture such classification? Does the tax auditor need to verify all such instances before issuing Tax Audit Report? Whether business enterprises may elect to stop dealing with MSME**

**suppliers in view of the above compliance-demanding amendment? Will such change challenge the principle of “Ease of doing business?” Whether it is pragmatically possible to verify every MSME Certificate of each supplier and verify the authenticity and genuineness of such certificate? Whether such process will reduce cost of compliance or increase the same?)**

**Relevant provisions of MSMED Act, 2006: -**

- **Section 15 of MSMED Act, 2006.**

- o This section requires the buyer to make payment on or before the date agreed upon in writing, or where there is no agreement in this behalf, before the appointed day. It also provides that the period agreed upon in writing shall not exceed 45 days from the day of acceptance or the day of deemed acceptance.

- **Section 16 of MSMED Act, 2006.**

- o Section 16 of the MSME Act provides for the date from which and the rate at which the interest is payable. Accordingly, where a buyer fails to make payment of the amount to the supplier, as required

u/s 15, the buyer shall, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed date or, as the case may be, from the date immediately following the date agreed upon, at 3 times of the bank rate notified by the Reserve Bank.

- **Section 22 of MSMED Act, 2006.**

- This section provides that where any buyer is required to get his annual accounts audited u/s 44AB of Income tax Audit, 1961 or under any law, such buyer shall furnish the following additional information in his annual statement of accounts, namely: -

- The principal amount and interest due thereon (to be shown separately) remaining unpaid.
    - The amount of interest paid by the buyer in terms of Section 16 along with the amount of payment made to supplier beyond the appointed date during each accounting year.



- The amount of interest due and payable for the delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act
- The amount of interest accrued and remaining unpaid at the end of each accounting year.
- The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure u/s 23.

### **Section 23 of MSMED Act, 2006**

○ This section provides that notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction

**As an Accountant or Auditor or Advisor to any business enterprise, following care should be taken when complying with the provisions of Income Tax Act 1961:**

- Obtain List of Suppliers covered under the MSMED Act, 2006 from the assessee. Details thereof should be in conformity with their revised Udyam Registration Certificates along with details of transactions and balance amounts outstanding.
- Review the list so obtained, also cross check the list with the disclosures made in the financial statements as per section 22 mentioned above.
- Obtain ageing analysis of such suppliers so as to ascertain outstanding beyond agreed period or 45 days as the case may be (follow section 15 as mentioned above).
- Check whether any interest due to them or paid during the year in terms of section 16 of MSMED Act, 2006 as mentioned above which has been debited or

provided for in the books of account. Tax auditor can apply test checks in this regard.

- Verify the additional information provided by the auditee relating to interest u/s 16 in his Financial Statement.
- If on test check basis the auditor is satisfied, then the amount so debited to the profit and loss account should be reported under clause 22. In case there is no interest inadmissible, then it should be mentioned as 'NIL' under this clause.
- In case the assessee does not have the relevant information to be reported in this clause ensure to disclose the same, which could be as under:

“The entity does not have relevant information regarding any micro or small enterprise which is registered under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006. Hence amount due and interest payable is not ascertainable.”

***Above information can also be provided in cases where audit is not applicable so that authenticity of such disclosure in the financial statements is appreciated by all the stakeholders in general.***

- Considering the data integration and cross verification of Income Tax Returns with MSME Udyam Registration by using technology measures like Artificial Intelligence and reporting of Transactions in Form 26AS/AIS/TIS, data capture on the Income Tax Portal, care should be taken by the Auditor to reconcile the information before uploading any Income Tax Returns as well as Tax Audit Return of any business enterprise.
- In respect of capitalisation of any item of Plant and Machinery in the books of account, care should be taken by the auditor that they are capitalised considering the provisions of MSME Act 2006 and claiming the benefits of Input Tax Credits as permissible under the provisions of Goods and Services Act 2017. Details should be properly disclosed in the Depreciation Schedule of the Business Enterprise, in the Income Tax Return as well as in the Tax Audit Report.

- If any capital subsidy is received under MSME beneficial provisions, then such subsidy needs to be reduced from the cost of such Plant and Machinery and it should be properly disclosed in the Depreciation Schedule of Business Enterprise, in the Income Tax Return as well as in the Tax Audit Report. The Tax Auditor shall ensure that all supporting documents pertaining to such claim are duly verified before uploading the Tax audit reports as applicable.
- If Revenue subsidy is received under MSME Benefits then it should be disclosed as “Other Income “in the books of account of business enterprises and it should also be reported and disclosed appropriately in the financial statements of MSME Business Enterprises and Tax Auditor shall ensure that all supporting documents pertaining to such claim are duly verified before uploading the Tax Audit Reports as applicable.

***Thus, to conclude effectively it means that any Enterprise paying interest to MSME Vendors will face outgo on account of interest payments to MSME***

***Vendors, tax payable by such enterprise as per applicable rate of tax for each assessment year. If such interest is not disallowed while computing total income of the Assessee u/s 28 of the Income Tax Act 1961, then it may be termed as inaccurate furnishing of particulars of Income which could attract penalty u/s 270A of the Income Tax Act 1961 too.***

***Section 43B change by Finance Bill, 2023 in respect of MSME Vendors is extremely stringent, probably it may harness every enterprise to be extra vigilant but whether it would have dampened effect on Micro and Small Enterprises that only time can substantiate in the future. In my personal opinion, Section 43B provisions should be aligned to other benefits conferred by Section 43B for allowing deduction of expenditure on or before the timelines specified u/s 139(1) of the Income Tax Act, 1961.***

***It may be noted that the definition clearly states that, the supplier includes “micro and small” enterprises only. Hence, the provisions on interest payments and disclosure requirements do not apply to the “medium” enterprises.***

## **Impact of MSME Registration and disclosures requirements under Companies Act 2013**

### ***Half yearly reporting requirements under Companies Act, 2013***

MCA vide notification “Specified Companies (Furnishing of Information about payment to micro and small enterprise suppliers) Order, 2019” dated 22nd January 2019, mandates that, all specified companies who buy goods or avail services from micro and small enterprises and whose payments to such suppliers have exceeded 45 days shall submit a half yearly return (eform MSME Form I) to the ministry of corporate affairs (MCA) stating the following: -

1. the outstanding amount due and
2. the reasons for delay;

Suggested disclosure in the financial statements: -

Sr No	Particulars	As on 31st March (Current year)	As on 31st March (Previous year)
1	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end		
2	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end		
3	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year <sup>5</sup>		
4	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year		
5	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year		



6	Interest due and payable towards suppliers registered under MSMED Act, for payments already made		
7	Further interest remaining due and payable for earlier years		

### ***Important Definitions:***

#### ***Specified Companies:***

As per the provisions of section 9 of the MSME Development Act, 2006, Specified companies are those companies who receive the supply of goods or services from MSMEs and the payment against these supplies to the suppliers of these MSMEs exceed 45 days from the date of acceptance (deemed acceptance) of the goods or services

#### ***Micro & Small Enterprise Category***

In the Micro and Small Enterprise category there are entities that include Proprietorship, Hindu Undivided Family, Partnership Firm, Company, Undertaking, an Association of Persons, or Co-Operative Society.

### ***Applicability on Companies:***

As per a notification issued by the MCA there is a mandate to disclose through Form MSME I for every type of the Company – Public or Private Company, Micro or Small Companies; that the Company satisfies the following two conditions:

#### ***Note:***

Date of deemed delivery refers to the acceptance of goods and services by the buyer in writing with no objection regarding the product or services received within the 15 days' time period.

Condition 1: Company must have received Goods and/or Services from Micro or Small Enterprise

Condition 2: Payment must have been due/not paid, to such Micro and Small Enterprise for 46 days from the date of acceptance

Following the provision of section 405 of the Companies Act, 2013, (18 of 2013), the Central Government made it

necessary for all the “Specified Companies” to furnish the above-notified information about the payment to micro and small enterprise suppliers.

### ***Late Filing Penalty for MSME Form 1***

Section 405(4) which includes non-furnishing/incomplete/incorrect information penalty states a fine up to Rs.25000 (Co.), Rs.25000/- (Min) & Rs.3 lacs (max) and imprisonment of 6 months for directors or both. Therefore, it is mandatory for Directors to file and submit i.e., in MSME form 1.

### **Details required for Half Yearly Return**

Information to be compiled for the filing of MSME -I:

Name of Supplier	PAN of Supplier	Amount Due	Date from which amount is due	Reasons for delay in payment

**Our experience reveals that there is a growing emphasis on disclosure requirements by all Corporate Entities. This is to ensure transparency in disclosing information in the financial statements of the business enterprise in general which has mandated also while drawing up Annual Financial Statements by all the companies.**

**To conclude, MSME Suppliers have been given lot of importance by the Sovereign under the Companies Act 2013, by imposing onerous duties upon the Board of Directors who are at the helm of affairs of any Corporate Body. They are mandated to disclose and convey prescribed information pertaining to MSME suppliers and if not followed, significant penal consequences are provided under the respective laws.**

**Impact of MSME Registration and disclosures requirements under The Limited Liability Partnership Act 2008**

Disclosure requirements in the Financial statements of LLP are more or less on similar lines as compared to any of the specified companies as per the provisions of Companies Act 2013.

WE M/S ..... LLP, HEREBY  
DISCLOSING AS UNDER

ITEM NO.	DISCLOSURES REQUIRED UNDER THE MICRO, SMALL & MEDIUM DEVELOPMENT ACT, 2006
I	Delayed payments due as at the end of each accounting year on account of Principal – Rs. XXX and Interest due thereon – Rs. XXX
II	Total interest paid on all delayed payments during the year under the provisions of the Act - Rs. XXX

III	Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this Act – Rs, XXX
IV	Interest accrued but not due– Rs, XXX (Represents interest accrued as at the end of the year but not due as interest is computed at monthly rests from the due date)
V	Total Interest Due but not paid – Rs. XXX (Represents all interest amounts remaining due together with that from prior year(s) until such date when the interest was actually paid to the small enterprises. Mainly to ascertain the amount of interest disallowable for income tax purposes)

DPIN	NAME	SIGN
01234567	.....	
01234567	.....	

Date: .....Place: .....

## **Impact of MSME Registration and Disclosure Requirements under Goods and Services Act, 2017**

Goods and Services Act 2017 was implemented w.e.f July 1,2017 as one of the biggest business reforms which most of us would have witnessed on the canvas of trade, commerce and industry and/or professional sphere of activities. Further, if we analyse the various paras of preceding three finance bills viz. 2018, 2019 & 2020 there is indeed some emphasis placed on the MSME sector. We are also witnessing that considering the needs of MSME sector, various circulars, notifications and clarifications have been issued by the Appropriate Authorities from time to time to ease the compliance burden on the MSME Sector Registered Tax Payers in general.

In the lines below, I have listed such measures to the best of my understanding. This will benefit the readers in grasping the specifics of ease of doing business in India for the MSME sector:

- MSME Enterprise is recognised as per the definition provided under MSME Act, 2006;

- Aggregate Turnover limit of Rs.20 Lakhs for services/Rs. 40 Lakhs for goods for certain states and limit of Rs.10 Lakhs for services /Rs.20 Lakhs for goods for certain special category states;
- Composition Dealer limit of Rs 1.50 crores/Rs.75 Lakhs for North Eastern states & Uttarakhand as per section 10 with concessional rate of GST levy;
- Special scheme of Composition Dealers for certain class of persons whose aggregate turnover doesn't exceed Rs.50 Lakhs in the preceding financial year with concessional rate of GST levy;
- Annual Return Filing of Composition Dealers in GSTR 4 from Financial Year 2022-23 for which present due date is on or 30<sup>th</sup> April of next financial year for every completed previous financial year;
- Composition dealers to be allowed to supply services, for up to a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher applicable only to the Taxpayers providing goods or services or both where aggregate turnover



cannot exceed Rs.1.50 crores/75 Lakhs in any financial year. This will make a large number of MSMEs eligible for the composition scheme;

- **In addition to the above, Even Composition Dealers are permitted to sale goods through E-Commerce Operators for supplies made for intra-state supplies as per proposed amendments by Finance Bill, 2023;**
- Option to file the Return of Outward Supplies in GSTR 1 on quarterly basis for small registered persons having aggregate turnover up to 5 crores earlier such limit was Rs.1.50 crores with option of reporting B2B supplies using IFF (Invoice Furnishing facility);
- Option to switch from Normal Registration category to Composition Dealer category subject to certain conditions and stipulations or vice versa;
- MSME sector enterprises are given an option of reporting 4 digits HSN/SAC code for enterprises having aggregate turnover less than Rs. 5 crores for

aggregate turnover above Rs.5 crores 6 digits HSN/SAC code w.e.f November 1,2022 with compulsory reporting in Table 12 of GSTR 1. In my view such benefit should have been extended to all MSME Registered persons in respect of raising of e-way bills as per the provisions of GST Act, 2017, such anomaly needs to be corrected by suitable clarification or notification to help MSME significantly;

- **In my person view, all Taxpayers should opt for 8-digit reporting of HSN code and 6 Digit SAC code reporting if possible and permissible as it would help them in long run, if done, they need not disturb the architecture of their billing mechanism;**
- Waiver from compulsory filing of GST Annual Return in GSTR 9 for Registered Taxable persons having aggregate turnover up to 2 crores and by default GSTR 9A – Composition Dealers Annual Returns filing won't be applicable as their aggregate turnover cannot exceed Rs.1.50 crores/75 Lakhs in any financial year. It is optional to file, but I recommend not to exercise such option because in my opinion, it

is the last option available to any Registered Dealer to rectify any errors in filing of monthly/quarterly GST Returns;

- IEC code is replaced by PAN Number of the registered person for the purpose of all transactions involving cross border trade;
- Facility to file NIL GSTR 1 and GSTR 3B returns on SMS by way one step process;
- Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons as per Notification issued by the GST Council;
- Supply of taxable goods by a registered supplier to a registered recipient for exports shall attract a total GST rate of 0.1% thereby reducing working capital blockage for exporters. This provision has been made effective vide notification No. 40/2017-Central Tax (Rate), dated 23-10-2017 and notification no. 41/2017-Integrated Tax (Rate), dated 23-10-2017;

- Extending the Advance Authorization (AA)/Export Promotion Capital Goods (EPCG)/100% Export Oriented Units (EOU) schemes to sourcing inputs etc. from abroad as well as domestically. Holders of AA/EPCG and EOUs are not required to pay IGST, Cess etc. on imports. Further, domestic supplies to holders of AA/EPCG and EOUs are treated as deemed exports under section 147 of CGST/SGST Act and refund of tax paid on such supplies is given to either the supplier or the recipient vide notification No. 48/2017-Central Tax, dated 18-10-2017;
- Concessional late fees in respect of Return of Outward Supplies in GSTR -1 of Rs.20/- per month for Nil Return and Rs.50/- per month for others; **Such late fees are proposed to be reduced further by 49<sup>th</sup> GST council meeting held on 18.02.2023;**
- Benefit of Input Tax Credits entitlement on motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft as amended u/s **SECTION 17. Apportionment of credit and blocked credits is**

**introduced for passing on the benefits to the MSME sector in general;**

- Provisions of **Section 16 (Eligibility and conditions for taking input tax credit) of the CGST Act 2017** under Chapter V read with **Rule 37 (Reversal of input tax credit in the case of non-payment of consideration)** under Chapter V of CGST Rules, 2017 which stipulates that Recipient is bound to settle the supplier dues within 180 days for his claim of Input Tax Credits and if not paid Supplier is duty bound to reverse such Input Tax credits in their GSTR 3B along with interest. **I would understand that such provisions introduced are essentially connected and flow in from the provisions of MSME Act 2006;**
- Considering the data integration of GST Returns with MSME Udyam Registration by using technology measures like Artificial Intelligence and reporting of Transactions in Form 26AS/AIS/TIS as well as Data Capture on the Income Tax Portal, care should be taken by the Business Enterprise as well as the GST Auditor to reconcile the information before uploading any GST Annual Returns in GSTR 9 as well as GSTR Form 9C of any Business Enterprise;

- In respect of capitalisation of any item of Plant and Machinery in the books of account, care should be taken by the Advisor that they are capitalised considering the provisions of MSME Act 2006 and claiming the benefits of Input Tax Credits as permissible under the provisions of Goods and Services Act 2017. Details thereof should be properly disclosed in the Depreciation Schedule of Business Enterprise, in the Income Tax Return as well as in the Tax Audit Report and it should be appropriately reported in Table 6 of GSTR 9 and to verify the claim of GST Refunds u/s 54 if applicable to such business enterprise.
- If Revenue Subsidy is received under MSME beneficial provisions and if the same is reported as “Other Income” in the books of account as well as in the Financial Statements of the Business Enterprise, it should be also properly reported and disclosed in the GST Annual Return in GSTR 9 as well as in GSTR Form 9C of the MSME Business Enterprise. The GST Advisor shall ensure that all supporting documents pertaining to such claim are duly verified before uploading such Return and self-reconciliation statements under the provisions of GST Act 2017

because such subsidy shall not form part of consideration u/s 2(31) as defined under CGST Act 2017. Also, it would be excluded for the purpose of valuation u/s Section 15(2)(e) of the CGST Act which provides that the value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. It may be noted that the word 'subsidy' has not been defined under the GST Law.

### **Opportunities for the Professionals in the MSME Segments in General**

*Every Professional connected with the Financial engineering and functionalities of any business enterprise plays a vital and pivotal role whereby the Business Enterprise can climb the ladder of growth from Micro to Small, from Small to Medium and from Medium to Champions in the foreseeable future. Every Professional is a like a Doctor for a Business Enterprise, who grows with the growth of the Business Enterprise in a mutually beneficial relationship. It can be a win-win situation for all the stakeholders in the long run.*

*Each Professional can plan to enter into this arena of specialisation in the MSME Sector, as this Sector*

*is a huge and still unexplored ocean in that many of us still are not fully aware of the full details of benefits available to Business Enterprises in the MSME ecosystem.*

*In the light of my knowledge distilled from experience, I am listing down and illustrating opportunities available to all the professionals in general:*

- Business Set up Advisory Services (including choice of type of Business Entity as well as all ancillary and incidental services arising post selection of constitution of an entity)*
- MSME Benefit Maximisation Advisory Services (viz. Fiscal Incentives, Geographical Location Benefits, Loan Syndications, ISO certifications, Govt. Tender Procurement Policies, Patent and ISO subsidies, Venture Capital Funding, Credit Rating Assistance Benefits, GST Benefits and refunds maximisation etc.)*
- Regulatory Approval Services (viz. PAN, TAN, GST, Profession Tax, Shops & Establishments, IEC Codes, MSME Registrations and other Industry specific Services etc.)*



- *Technology and Digital Development Solutions Services (viz. ERP, SAP, MIS Reporting, SOP, Website Construction Services, HR Policy Manuals, Server and Digital Storage Services especially considering Work from Home Scenario due to Novel Covid 19)*
- *Business Support Services (Viz. Payroll Processing, Back Office Support Services, HR Recruitment Services etc.)*
- *Business Merger and Acquisition Services (within as well as Outside India)*
- *Legal and Risk Mitigation Services (including Business agreements and business transaction documentations);*
- *Audit and Attestation Services (viz. Statutory Audit, Tax Audit, Transfer Pricing Audits, TDS Audits, Related Party documentation audits, GST Audit, MSME Compliance Audits, Supply Chain Documentation Audits, Fixed Assets Verification Audits, Information Technology Audits, Working Capital Management*

*Audits, Secretarial Audits, Forensic Audits, Stock Audits, Payroll Audits, Internal Audit Services, etc.)*

- *Regulatory Compliance Services (Accounting, Corporate Law, E Invoicing, Direct and Indirect Tax Compliances (including planning), Supply Chain Documentations, MSME documentations, Labour Law compliances, Legal documentations, Digital documentation of all records and any other services arising due to ancillary and incidental to all kinds of regulatory compliances applicable to the enterprises)*
- *MSME Listing services on SME (including SEBI Compliances)*
- *MSME E Commerce Establishment Services*
- *FEMA Advisory Services (viz. ODI, FDI, ECB, FLA etc.)*
- *Intellectual Property Advisory Services (Including, Trade Mark, Patent, Copy Rights, Digital Rights etc covering registration, assignment, acquisitions and search services)*
- *Any other services not included above.*

# Conclusion

If we consider the Objective of MSME Sector

## CHAMPIONS

*Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength*

*I am of the considered view that with the benefits flowing in through the new dispensation of MSME Udyam, we are poised to see a level playing field for a much larger number of Business Enterprises. It will usher in meaningful and harmonious initiatives by harnessing modern technology in the form of artificial intelligence with block chain base and will establish a digital trail of business processes for prompt and automated compliance. It will lead to greater grants and opportunities in the form of Fiscal Incentives, Geographical Location Benefits, Loan Syndications, ISO certifications, Govt. Tender Procurement Policies, Patent and ISO subsidies, Venture Capital Funding, Credit Rating Assistance Benefits, GST Benefits and refunds maximisation etc. In the new reality, by hand holding the MSME Entities, I can visualise that their overall contribution to the GDP will increase from existing 30% to a new maximum in the future. An MSME entity can now aspire to start in the micro category and upgrade itself to CHAMPION category in time to come. And as the MSME*

*segment is gaining in importance, it opens up vistas of opportunities to all of us to build our avenues of growth too and become a CHAMPION in the future.*

***(Note: All readers are requested intelligently to read & study the provisions on this publication. We have tried to compile the information to the best of our ability and understanding. Suggestions to improve the publication is always welcome with folded hands. This information has been shared only for educational purposes for the benefit of all.)***