

Reporting requirements in respect of payments to micro and small enterprises

Introduction

The Ministry of Corporate Affairs ('MCA') on 15 July 2024 introduced a crucial amendment to the Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019. This amendment aims to enhance the reporting framework in respect of payments to micro and small enterprise ('MSE') suppliers.

According to the revised order, companies must now report the details of payments pending to MSEs. Specifically, companies are required to furnish information if payments to MSEs remain outstanding for more than 45 days from the date of acceptance or deemed acceptance of goods or services.

The new form requires companies to provide comprehensive details of their financial transactions with MSE suppliers. This includes payments made within and beyond the 45-day period and any outstanding amounts, along with reasons for any delays. This means that companies must file MSME Form I if payments to MSEs were made after 45 days during the half-year reporting period, regardless of whether there were any outstanding amounts as of March 31 or September 30.

The updates to the new MSME Form I now require reporting the following information:

- Amount paid within 45 days
- Amount paid after 45 days
- Amount outstanding for 45 days or less
- Amount outstanding for more than 45 days
- Reasons for payment delays/outstanding amounts

Weblink <https://www.mca.gov.in/bin/dms/getdocument?mds=5d6WlpyCZCPz-Zo0CHI%252B7oA%253D%253D&type=open>

Therefore

The amendment significantly strengthens the reporting requirements for payments to MSE suppliers. By mandating detailed disclosures of payment timelines and outstanding amounts, the new MSME Form I (on a half-yearly basis) aims to improve financial transparency and accountability. Companies must now ensure they adhere to these updated reporting obligations to ensure timely payments, avoid penalties, and build stronger relationships with their MSE suppliers.