

Webinar on Solutions for MSME Late Payments and Section 43B(h) Issues

This webinar was held by IIA under the chairmenship of IIA National President Shri Neeraj Singhal on

31 May 2024. The session aimed at addressing the persistent issue of delayed payments faced by MSMEs and providing an in-depth understanding of the recently implemented Section 43B(h) of the Income Tax Act. The key speaker was Shri B.L. Chandak, former DGM, SIDBI, renowned for his vast experience and deep knowledge in the financial sector.

Key Highlights:

1. Understanding Delayed Payments:

- Shri B.L. Chandak highlighted the common challenges MSMEs face due to delayed payments.
- He discussed the financial and operational impacts on small and medium enterprises.
- Practical solutions and strategies to mitigate these challenges were provided, emphasizing the importance of timely invoicing and effective follow-up mechanisms.

2.Section 43B(h) of Income Tax Act:

- An in-depth explanation of the new provisions under Section 43B(h) was presented.
- Shri Chandak elaborated on how this section impacts MSMEs, particularly in terms of cash flow management and tax liabilities.
- He provided clarity on the compliance requirements and how businesses can align their financial practices accordingly.

3.Interactive Q&A Session:

- The webinar featured an engaging Q&A session where participants had the opportunity to ask specific questions.
- Shri Chandak addressed various queries, providing expert advice and practical tips tailored to the concerns of MSME owners and financial managers.

Key Takeaways from the Webinar

1. Importance of Timely Payments:

- Delayed payments severely impact the cash flow and operational efficiency of MSMEs.
- Emphasized the need for timely invoicing and follow-up to ensure prompt payments.

2. Understanding Section 43B(h):

- Detailed explanation of Section 43B(h) of the Income Tax Act and its implications for MSMEs.
- Key compliance requirements and how businesses

A Perspective of Delayed Payments to MSMEs

DeB (2002): - Rs. 8.6 trilleon struck in late payments annually

Brickwarks Ratings (2000): Rs. 3.3 trillion by 760 targest corporates by capitalisation

24 manufacturing Hifty 50 companies - average creditors and debtors at 68 days and 29 days sales respectively, ever P20(1)-23.

BBI Corporate Data (1986-09 - Sundry debtors marginally - Sundry Creditors (1986-95)

Regulatory, Legal provisions & Mandated Disclosures but very limited effects

Later Payments relates to Trade Credit (TC) - Whown as Sundry Creditors/Debtors

A hadorical perspective of TC System it Importance - pre-banking and post-banking

TC as old as trade 6 commerce

Pre-banking period growth of business communities and commercial centres

In general, businesses were officially, refigiously 8 socially committed to horour debt.

should align their financial practices to meet these new regulations.

3.Strategies to Mitigate Delayed Payments:

- Practical tips and strategies were shared to address and reduce the occurrence of delayed payments.
- Importance of maintaining good relationships with clients and setting clear payment terms.

4. Cash Flow Management:

- Techniques for effective cash flow management to handle financial strain due to delayed payments.
- Tools and practices to monitor and manage cash flow efficiently.

5.Legal Recourse and Support:

- Information on the legal options available to MSMEs for recovering overdue payments.
- Resources and support systems provided by government and industry associations.

6.Interactive Q&A Insights:

- Real-world examples and solutions discussed during the Q&A session.
- Personalized advice provided by Shri B.L. Chandak to address specific concerns of participants.

7. Future Readiness:

- Encouragement for MSMEs to stay informed about legislative changes and financial regulations.
- Importance of adapting business practices to comply with new tax provisions and improve financial health.
- These key takeaways equip MSMEs with the knowledge and strategies needed to tackle delayed payments effectively and comply with Section 43B(h), ensuring smoother financial operations and long-term sustainability.

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