



CIVIL

Companies Must Now Report Late Payments to MSME Suppliers Under New Notification

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The Ministry of Micro, Small and Medium Enterprises (MSME) has issued a significant notification requiring certain companies to submit half-yearly returns regarding their payments to micro and small enterprise suppliers. Published in the Gazette of India on March 25, 2025, this extraordinary notification (S.O. 1376(E)) aims to enhance transparency in business dealings between large companies and smaller enterprises.

The notification was issued under Section 9 of the Micro, Small and Medium Enterprises Development Act, 2006, and read with Section 15 of the same Act. This legal framework empowers the Central Government to regulate the manner in which buyers conduct business with MSMEs, particularly concerning payment practices and timelines.

Companies that procure goods or services from micro and small enterprises must now submit detailed reports to the Ministry of Corporate Affairs. These reports are required when payments to MSME suppliers exceed forty-five days from the date of acceptance or deemed acceptance of goods/services, as defined by the Act.

The half-yearly returns must include specific information about the payments due to MSME suppliers and the reasons for any delays in making these payments. This reporting requirement ensures that companies cannot indefinitely postpone payments without providing clear justification for their actions.

The government's objective in issuing this notification is to address longstanding issues of payment delays that have plagued MSMEs. By requiring regular reporting, the authorities aim to improve cash flow for smaller businesses, which often struggle with liquidity when larger companies delay payments. This measure is expected to reduce commercial disputes related to late payments and create a more balanced business environment.

The notification takes effect immediately, with companies expected to comply with the new reporting requirements in their next reporting cycle. While specific implementation details may be provided in subsequent guidelines, companies are advised to prepare their reporting systems to meet these obligations.

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