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## TRANSACTIONS TO BE MENTION IN MSME-1

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### **SHORT SUMMARY:**

Many professionals have asked in many Whatsapp Groups, Social Media Platforms “**details of transactions to be mention in e-form MSME-1**”. As there are lot of confusions in this form since the inception. In this editorial author shall discuss about the transactions with example required to be mention in MSME-1 along with below mentioned questions:

- I. If a Company itself registered in MSME. Whether such company needs to file MSME-1 form.
- II. If payment not made to MSME vendor within 45 days and still pending at end of the half year. Whether such transaction needs to mention in MSME-1 form?
- III. If Payment made to MSME vendor after 45 days but before end of half year. Whether such transaction needs to mention in MSME-1 form?

### **Language of Circular:**

MSME-1 form introduced by MCA notification dated 22 January 2019. As per notification every half year companies have to file this form with ROC.

All companies, who get supplies of goods or services from micro and small enterprises and **whose payments to micro and small enterprise suppliers exceed forty five days from the date of acceptance** or the date of deemed acceptance of the goods or services as per the provisions of section 9 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)

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(hereafter referred to as “Specified Companies”), shall submit a half yearly return to the Ministry of Corporate Affairs

#### **A. ANALYSIS OF NOTIFICATION**

As per the notification, if Company has made delayed in payment to Micro, small enterprises more than 45 days then such company have to report such transaction in MSME-1 form.

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#### **B. ANALYSIS OF MSME Act:**

As per Section 15 and 16 of MSME Act, 2006, if a buyer of goods/ services made payment to MSME vendor after 45 days then such buyer shall be liable to pay compound interest with monthly rest to the supplier.

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#### **C. EFFECT OF AMENDMENT**

##### **1. If a Company itself registered in MSME. Whether such company needs to file MSME-1 form:**

To find out requirement of applicability of MSME-1, Company have to check following criteria: -

- i. Company must have MSME Vendor.
- ii. Company must have made default in payment to such MSME vendor by 45 days.

If both the above criteria fulfilled, then such company have to file MSME-1 form with ROC. Whether Company registered under MSME doesn't affect the requirement of filing MSME-1

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**2. If payment not made to MSME vendor within 45 days and still pending at end of the half year. Whether such transaction needs to mention in MSME-1 form**

As per combined reading of notification by MCA and MSME Act, 2006 answer of the question shall be:

- i. As per Section 15 of MSME Act, Company have to make payment to MSME registered vendor within 45 days of acceptance of goods/ services.
- ii. As per Section 16 of MSME Act, if company fails to make payment to MSME registered vendor within 45 days then company have to make payment to such vendor along with Interest.
- iii. As per MCA notification, Company who get supplies of goods/ services from MSME and whose payments exceed 45 days needs to file MSME-1 with Registrar of Companies.

Therefore, one can opine that all the payments pending to MSME vendor delayed by more than 45 days as on 31<sup>st</sup> March and 30<sup>th</sup> September needs to mention in MSME-1 form.

**Example:**

Company has received an invoice along with supply of services on 10<sup>th</sup> July and such invoice paid on 15<sup>th</sup> October.

As the invoice was paid on 95<sup>th</sup> day instead of within 45 days. Therefor it is default as per Section 15 of MSME Act, 2006. MCA by MSME-1 form want to get information of all such transaction. Therefore, this transaction need to mention in MSME-1

**3. If Payment made to MSME vendor after 45 days but before end of half year. Whether such transaction needs to mention in MSME-1 form**

As per question, payments have already been made to MSME vendor before end of half year. Therefore, payments are not pending at the end of half year. However, important point is payments made after 45 days.

To answer this question, we have to understand the intent of MCA notification in correlation with MSME Act, 2006. Purpose of MSME Act, 2006 to protect MSME register vendors and to get money for their supply/ services at least within 45 days.

If any Company not made payments within 45 days, then they have to pay interest to vendor as per Section 16 of MSME Act, 2006.

### **Extract of language of MCA Notification**

“All companies, who get supplies of goods or services from micro and small enterprises and **WHOSE PAYMENTS to micro and small enterprise suppliers EXCEED forty-five days from the date of acceptance**”

Therefore, one can opine that all the payments made to MSME vendor during the half year delayed by more than 45 days are required to mentioned in MSME-1 form.

### **Example:**

Company has received an invoice along with supply of services on 10<sup>th</sup> July and such invoice paid on 15<sup>th</sup> September.

As the invoice was paid on 65<sup>th</sup> day instead of within 45 days. Therefore it is default as per Section 15 of MSME Act, 2006. MCA by MSME-1 form want to get information of all such transaction. Therefore, this transaction needs to mention in MSME-1.

\*Therefore, one can opine that, it doesn't matter whether payment is pending at the end of half year or not. If payment made after 45 days still need to mention in MSME-1.

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