



THE COTTON TEXTILES EXPORT PROMOTION COUNCIL

(Sponsored By Government of India)

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Sub: Promoting timely payments to Micro and Small Enterprises

Dear Member,

We would like to inform you that Central Board of Direct Taxes (CBDT), Ministry of Finance has issued CBDT Circular No.1/2024 dated 23rd January, 2024 where Section 43B relating to "Certain deductions to be only on actual payment" has been amended.

In this connection, the following clause (h) shall be inserted after clause (g) of Section 43B of the Income Tax Act 1961. This amendment takes effect from 1st April, 2024 and will accordingly apply in relation to the assessment year 2024-25 and subsequent assessment years –

Section 43 B (h) reads as under:

any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006),

shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him:

Provided that nothing contained in this section – [except the provisions of clause (h)] shall apply in relation to any sum which is actually paid by the assessee on or before the due date applicable in his case for furnishing the return of income under sub-section (1) of section 139 in respect of the previous year in which the liability to pay such sum was incurred as aforesaid and the evidence of such payment is furnished by the assessee along with such return.

The primary objective of this amendment is to ensure that MSMEs receive timely payments for goods supplied or services rendered. However, it places additional responsibilities on buyers to adhere to the payment timelines stipulated under the Micro, Small and Medium Enterprises Development (MSMED) Act.

For more details on the amendments, you may kindly refer the following –

-- CBDT Circular 1/2024 dated 23rd January, 2024 ([click here](#))

-- Section 43B of the Income Tax Act 1961 carried out through the Finance Act, 2023 ([click here](#))

Members may kindly make a note of the above.

Regards,

Dr. Siddhartha Rajagopal
Executive Director

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