

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

RAJYA SABHA
UNSTARRED QUESTION NO. 159
TO BE ANSWERED ON: 20.07.2026

IMPACT OF SECTION 43B(h) (FINANCE ACT 2023) ON MSMEs

159. SHRI RAJEEV KUMAR:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) section 43B(h) (Finance Act 2023, effective FY 2024-25) disallows a tax deduction to buyers until they actually pay a micro/small supplier, to enforce the 45-day timeline, but reporting indicates a significant unintended consequence: large and medium buyers began cancelling orders with registered MSMEs; and
- (b) shifting to unregistered vendors or pressuring small suppliers to surrender their Udyam registration - because the rule bites only if the supplier is Udyam-registered, the sector has been hurt more than benefited, the steps Government is taking to rectify the situation, if any?

ANSWER

MINISTER OF STATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SUSHRI SHOBHA KARANDLAJE)

(a) & (b): The Ministry of Micro, Small and Medium Enterprises (MSME) has taken a number of measures to enhance the credit flow and ensure timely payment for MSMEs. In this regard, vide Finance Act 2023, clause (h) was inserted in Section 43B of the Income-tax Act 1961 which disallows a tax deduction to buyers until they actually pay a micro/small supplier, to enforce the 45-day timeline specified in section 15 of the MSME Development (MSMED) Act, 2006.

A number of stakeholders, including MSME associations have endorsed the intervention introduced to ensure timely payments as being beneficial to Micro and Small Enterprises, which were grappling with the issue of delayed payments, cash flow and the risk of business getting closed due to financial constraints. The provision is intended to strengthen payment discipline and improve liquidity for Micro and Small Enterprises.

The Ministry of MSME launched Udyam Registration Portal (URP) on 01.07.2020. As on 30.06.2026, 8.84 crore enterprises have registered on the Portal. Enterprises de-register due to a number of reasons such as change in the company owner, certificate not required anymore, duplicate registration and such other reasons. The number of MSMEs deregistered as a proportion of the total those which have registered on the portal is 0.60%.
