

MSMED Act: Delayed Payment & Receivables Checklist

1. Identify MSME Supplier

- Confirm that the supplier is a Micro or Small Enterprise for the purpose of the applicable delayed-payment provisions.
- Obtain/verify the supplier's Udyam details as supporting evidence.

2. Identify the Transaction

- Identify the relevant purchase order/agreement.
- Identify invoice number, invoice date and invoice amount.
- Confirm supply of goods or rendering of services.

3. Determine Acceptance / Deemed Acceptance

- Determine the date of acceptance of goods/services.
- Check whether any written objection was raised by the buyer.
- Determine the date of deemed acceptance, where applicable.

4. Check Payment Terms

- Review the written agreement, if any.
- Determine the agreed payment period.
- Verify that the agreed period does not exceed the statutory limit of 45 days.

5. Determine Statutory Due Date

- Check whether a written agreement for payment exists.
- Where an agreement exists, ensure the agreed period does not exceed **45 days**.
- Where there is no written agreement, apply the statutory **15-day period** from acceptance/deemed acceptance as applicable.
- Record the invoice-wise statutory due date.

6. Monitor Payment

- Compare actual payment date with the statutory due date.
- Identify delayed invoices and outstanding principal.
- Track part-payments and balance outstanding.
- Maintain ageing based on statutory due date.

7. Calculate Statutory Interest

- Calculate interest under **Section 16 of the MSMED Act** for delayed payments.
- Apply **three times the RBI bank rate**.
- Apply compound interest with monthly rests.
- Update interest calculation for subsequent payments

8. Review Dispute / Objection

- Check whether the buyer has raised any written objection.
- Verify the date and nature of the objection.
- Maintain supporting evidence.
- Separate disputed and undisputed amounts.
- Reconcile any deductions, credit notes or set-offs.

9. Reconcile Outstanding Amount

- Reconcile the amount with:
 - Vendor ledger
 - Invoice records

- Payment records
- Credit/debit notes
- Confirm the final principal and interest outstanding.

11. Follow Up / Issue Demand

- Communicate the overdue amount to the buyer/supplier, as applicable.
- Demand payment of outstanding principal and applicable statutory interest.
- Maintain correspondence and payment commitments.

12. Monitor MSEFC Proceedings

- Where applicable, initiate/monitor reference before the **Micro and Small Enterprises Facilitation Council (MSEFC)**.
- Track conciliation and arbitration proceedings.
- Monitor settlement, order or award.
- Review the **75% pre-deposit requirement under Section 19** where an applicable award/order is challenged.

13. Review Award / Challenge

- If an award/order is passed, verify the amount payable.
- Where a challenge is proposed, review the statutory 75% pre-deposit requirement and applicable legal procedure.

14. Review Section 43B(h)

- At year-end, identify amounts payable to Micro and Small Enterprises.
- Check payment dates against the requirements of Section 43B(h).
- Determine the applicable tax adjustment/disallowance.
- Maintain a separate tax working.

15. Year-End Reconciliation

- Reconcile MSME outstanding balances with books of account.
- Verify principal and interest payable.
- Review payments made after year-end.
- Check applicable financial statement disclosures.

16. Close the Matter

- Confirm receipt/payment of principal.
- Confirm settlement of statutory interest.
- Update the MSME payable register.
- Close the invoice only after all applicable amounts and compliance requirements have been addressed.

NOTES

- **45-Day Limit:** Where a written agreement exists, the agreed payment period cannot exceed the statutory maximum of 45 days under the MSMED Act.
- **Acceptance Date:** The date of acceptance or deemed acceptance is important for determining the payment deadline.
- **Interest:** Delayed-payment interest is governed by the MSMED Act and is generally linked to three times the RBI bank rate, with compound interest and monthly rests.
- **Written Objection:** Maintain documentary evidence of any objection regarding acceptance of goods or services.
- **Principal & Interest:** Payment of principal should be separately reconciled with statutory interest liability.

- **MSEFC:** Unpaid dues may be subject to proceedings before the Micro and Small Enterprises Facilitation Council.
- **75% Deposit:** A statutory pre-deposit requirement may apply when challenging an applicable MSEFC award/order.
- **Section 43B(h):** Buyer-side tax implications should be reviewed separately for payments to Micro and Small Enterprises.
- **Ageing:** MSME ageing should be monitored based on the applicable statutory due date, not merely the invoice date.
- **Records:** Maintain invoice-wise calculations and supporting documents for audit, tax and legal purposes.
- **Year-End:** Complete MSME payable reconciliation, interest calculation and applicable disclosure/tax review before finalisation of accounts.
- **Legal Review:** MSEFC proceedings, limitation issues, disputes and challenges to awards/orders should be reviewed by appropriate legal professionals.