

NOTE ON SSI REGISTRATION AND ITS BENEFITS

▪ Definitions of Micro, Small & Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

- (a) **Manufacturing Enterprises-** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the *first schedule* to the **industries (Development and regulation) Act, 1951** *or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use*. The Manufacturing Enterprise is **defined in terms of investment in Plant & Machinery**.
- (b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment**.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, [vide S.O. 1642\(E\) dtd.29-09-2006](#) are as under:

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

- If a Micro or Small Enterprise registers under Section 8(1) of MSMED Act, 2006 by way of filing Memorandum with Central (Medium Enterprise) or State Government (Micro or Small Enterprise), as the case may be, then buyer of its products or services is compulsorily required to make payment in respect of such purchases within such period as may be agreed in writing between them i.e. buyer and seller but under no circumstances said period shall exceed 45 days from the date of delivery or deemed delivery of products or services (deemed delivery means where buyer has not objected

within 15 days from the delivery date). In case of no agreement in writing about payment terms, buyer shall pay within 15 days from the delivery date.

- If buyer fails to make payment as aforesaid, notwithstanding anything, he/she shall be liable to pay monthly compounding interest three times of the bank rate (bank rate as on 07th August, 2014 is 9%) notified by RBI from time to time.
- Protection for payment coupled with compounding of interest is also extended to company, co-operative soc., trust or any 'body' registered under any law for the time being in force engaged in selling goods or rendering services of such Micro or Small Enterprise.
- This payment of interest is applicable in case of Micro or Small Enterprises only who are registered under MSMED Act, 2006 i.e. not applicable to Medium Enterprises.
- Party to the dispute may refer matter to Micro and Small Enterprise Facilitation Council.
- Registration under MSMED Act can be done by a supplier only if he manufactures or produces goods referred in First Schedule to Industrial (D&R) Act, 1951 **“or employing plant & machinery in the process of value addition to the final product having distinct name or character or use”** or renders or provides services (*in case of services there seems to be no restriction*) [***Bold wordings added vide notification dated 16th January, 2009***]
- Registration of Medium Enterprise seems to be mandatory as per Section 8(1)(c) who is engaged in manufacture or production of goods. For others i.e. Micro or Small Enterprise or Medium Enterprise rendering services registration is discretionary.
- Notwithstanding anything, order or decree of Council cannot be entertained by any court unless 75% of amount stated in such order or decree is deposited with court at the time of making appeal. This is not applicable when supplier makes appeal. The terms supplier has been defined in the Act.
- Every buyer who is required to get its annual accounts audited under any law for the time being in force shall furnish such particulars as are prescribed in said section. For e.g. is there any payment or interest due to supplier? etc. (*Supplier means Micro or Small Enterprise who has registered u/s 8(1) of the Act and includes company, co-operative soc., trust or any 'body' registered under any law for the time being in force engaged in selling goods or rendering services of such Micro or Small Enterprise among others*)
- Interest paid by buyer to the supplier is not allowed as deduction under Income Tax Act, 1961 (*CBDT has issued notification to that effect*)
- Such interest and payment provisions of MSMED Act are applicable notwithstanding anything contained in any other law for the time being in force
- By letter dated Nov. 27, 2012, it is advised to print EM ID no. on letter head or bill heads of MSME.
- FDI is allowed in MSE.