

NEWSLETTER

03/01-24

Payment to Micro or Small
 Enterprises (MSEs)

(Part 2)



PART II:

ALLOWABILITY OF EXPENDITURE ON THE BASIS OF PAYMENT TO MICRO OR SMALL ENTERPRISES (MSES):

APPLICABILITY OF SECTION 43B

Only following “Enterprise” as per Section 2(e) are covered under section 43B(h) of Income Tax Act.

1. an industrial undertaking or a business concern engaged in the **Manufacture or Production of Goods of Industry specified in First Schedule of Industries** (Development and Regulation) Act, 1951 ([Annexure I](#));
2. an entity engaged in providing or **rendering any service**.

Therefore, following entity are excluded for the purpose of Section 43B(h):

- a) An enterprise which is engaged in Trading
- b) An enterprise engaged in manufacturing of goods other than mentioned in First Schedule.

Meaning of Micro and Small Enterprises

Condition	Particulars	Micro Enterprise	Small Enterprise
1	Investment in Plant & Machinery or Equipment	Does not Exceed INR 1 Cr	Does not Exceed INR 10 Cr
2	Turnover	Does not Exceed INR 5 Cr	Does not Exceed INR 50 Cr

- a. To avail the benefit of Micro or Small Enterprise both the condition i.e. **Investment in P&M and Turnover condition need to be satisfied.**
- b. As regards, calculation of Investment in Plant & Machinery, it is with reference to the ITR of the previous year filed under the Income Tax Act 1961. **Therefore, WDV of the asset would be considered and not their Original Cost.**

Other Critical Points:

1. Any Liability which is outstanding in respect of period prior to 01-April-2023 will not be disallowed under section 43B(h) even if it is outstanding as on 31- march -2024.
2. Provisions of Section 43B(h) are not applicable on Medium Enterprises.

For any further clarification, you may contact us at:

TEAM RKA | Ridhi Karan & Associates



611, Antriksh Bhawan, 22 KG Marg, New Delhi- 110001

+91-9810684254 | 8802001900, 011-49045641



connect@ridhikaran.com



www.ridhikaran.com

DISCLAIMER:

The material contained in this communication is solely for information and general guidance and not for advertising or soliciting. The information provided does not constitute professional advice. While every care has been taken in the preparation of this communication to ensure its accuracy, Ridhi Karan & Associates neither assumes responsibility for any errors, which despite all precautions, may be found herein nor accepts any liability, and disclaims all responsibility, for any kind of loss or damage of any kind arising on account of anyone acting/ refraining to act based on the content in this communication.

ANNEXURE I

First Schedule to the Industries (Development and Regulation) Act, 1951

Any industry engaged in the manufacture or production of any of the articles mentioned under each of the following heading or sub-headings, namely:-

1.	METALLURGICAL INDUSTRIES																																
	<p><i>A. Ferrous :</i></p> <table border="1"> <tr><td style="text-align: center;">(1)</td><td>Iron and steel (metal).</td></tr> <tr><td style="text-align: center;">(2)</td><td>Ferro- alloys.</td></tr> <tr><td style="text-align: center;">(3)</td><td>Iron and steel castings and forgings.</td></tr> <tr><td style="text-align: center;">(4)</td><td>Iron and steel structurals.</td></tr> <tr><td style="text-align: center;">(5)</td><td>Iron and steel pipes.</td></tr> <tr><td style="text-align: center;">(6)</td><td>Special steels.</td></tr> <tr><td style="text-align: center;">(7)</td><td>Other products of iron and steel.</td></tr> <tr><td style="text-align: center;">(8)</td><td>Iron and steel (metal).</td></tr> <tr><td style="text-align: center;">(9)</td><td>Ferro- alloys.</td></tr> <tr><td style="text-align: center;">(10)</td><td>Iron and steel castings and forgings.</td></tr> <tr><td style="text-align: center;">(11)</td><td>Iron and steel structurals.</td></tr> <tr><td style="text-align: center;">(12)</td><td>Iron and steel pipes.</td></tr> <tr><td style="text-align: center;">(13)</td><td>Special steels.</td></tr> <tr><td style="text-align: center;">(14)</td><td>Other products of iron and steel.</td></tr> </table> <p><i>B. Non-ferrous:</i></p> <table border="1"> <tr><td style="text-align: center;">(1)</td><td>Precious metals, including gold and silver, and their alloys. (1A) Other non-ferrous metals and their alloys.]</td></tr> <tr><td style="text-align: center;">(2)</td><td>Semi-manufactures and manufactures.</td></tr> </table>	(1)	Iron and steel (metal).	(2)	Ferro- alloys.	(3)	Iron and steel castings and forgings.	(4)	Iron and steel structurals.	(5)	Iron and steel pipes.	(6)	Special steels.	(7)	Other products of iron and steel.	(8)	Iron and steel (metal).	(9)	Ferro- alloys.	(10)	Iron and steel castings and forgings.	(11)	Iron and steel structurals.	(12)	Iron and steel pipes.	(13)	Special steels.	(14)	Other products of iron and steel.	(1)	Precious metals, including gold and silver, and their alloys. (1A) Other non-ferrous metals and their alloys.]	(2)	Semi-manufactures and manufactures.
(1)	Iron and steel (metal).																																
(2)	Ferro- alloys.																																
(3)	Iron and steel castings and forgings.																																
(4)	Iron and steel structurals.																																
(5)	Iron and steel pipes.																																
(6)	Special steels.																																
(7)	Other products of iron and steel.																																
(8)	Iron and steel (metal).																																
(9)	Ferro- alloys.																																
(10)	Iron and steel castings and forgings.																																
(11)	Iron and steel structurals.																																
(12)	Iron and steel pipes.																																
(13)	Special steels.																																
(14)	Other products of iron and steel.																																
(1)	Precious metals, including gold and silver, and their alloys. (1A) Other non-ferrous metals and their alloys.]																																
(2)	Semi-manufactures and manufactures.																																
2.	FUELS;																																
	<table border="1"> <tr><td style="text-align: center;">1)</td><td>Coal, lignite, coke and their derivatives.</td></tr> <tr><td style="text-align: center;">(2)</td><td>Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like.</td></tr> <tr><td style="text-align: center;">(3)</td><td>Fuel gases-(coal gas, natural gas and the like).</td></tr> </table>	1)	Coal, lignite, coke and their derivatives.	(2)	Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like.	(3)	Fuel gases-(coal gas, natural gas and the like).																										
1)	Coal, lignite, coke and their derivatives.																																
(2)	Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like.																																
(3)	Fuel gases-(coal gas, natural gas and the like).																																
3.	BOILERS AND STEAM GENERATING PLANTS:																																
	(1) Boilers and steam generating plants.																																
4.	PRIME MOVERS (OTHER THAN ELECTRICAL GENERATORS) :																																
	(1) Steam engines and turbines.																																
	(2) Internal combustion engines.																																
5.	ELECTRICAL EQUIPMENT:																																
	(1) Equipment for generation, transmission and distribution of electricity including transformers.																																
	(2) Electrical motors.																																

	(3)	Electrical fans.
	(4)	Electrical lamps.
	(5)	Electrical furnaces.
	(6)	Electrical cables and wires.
	(7)	X-ray equipment.
	(8)	Electronic equipment
	(9)	Household appliances such as electric irons, heaters and the like.
	(10)	Storage batteries.
	(11)	Dry cells.
6.	TELECOMMUNICATIONS:	
	(1)	Telephones.
	(2)	Telegraph equipment.
	(3)	Wireless communication apparatus.
	(4)	Radio receivers, including amplifying and public address equipment.
	(5)	Television sets.
	(6)	Teleprinters
7.	TRANSPORTATION:	
	(1)	Aircraft.
	(2)	Ships and other vessels drawn by power.
	(3)	Railway locomotives.
	(4)	Railway rolling stock.
	(5)	Automobiles (motor cars, buses, trucks, motor cycles, scooters and the like).
	(6)	Bicycles.
	(7)	Others such as fork lift trucks and the like.
8.	INDUSTRIAL MACHINERY:	
	<i>A. Major items of specialised equipment used in specific industries:</i>	
	(1)	Textile machinery (such as spinning frames, carding machines powerlooms and the like) including textile accessories.
	(2)	Jute machinery.
	(3)	Rayon machinery.
	(4)	Sugar machinery.
	(5)	Tea machinery.
	(6)	Mining machinery.
	(7)	Metallurgical machinery.
	(8)	Cement machinery.
	(9)	Chemical machinery.
	(10)	Pharmaceuticals machinery.
	(11)	Paper machinery.

	<p><i>B. General items of machinery used in several industries, such as the equipment required for various "unit processes":</i></p> <table border="1"> <tr><td>(1)</td><td>Size reduction equipment - crushers, ball mills and the like.</td></tr> <tr><td>(2)</td><td>Conveying equipment- bucket elevators, skip hoist, cranes, derrick and the like.</td></tr> <tr><td>(3)</td><td>Size separation units-screens, classifiers and the like.</td></tr> <tr><td>(4)</td><td>Mixers and reactors-kneading mills, turbo mixers and the like.</td></tr> <tr><td>(5)</td><td>Filtration equipment-filter presses, rotary filters and the like.</td></tr> <tr><td>(6)</td><td>Centrifugal machines.</td></tr> <tr><td>(7)</td><td>Evaporators.</td></tr> <tr><td>(8)</td><td>Distillation equipment.</td></tr> <tr><td>(9)</td><td>Crystallisers.</td></tr> <tr><td>(10)</td><td>Driers.</td></tr> <tr><td>(11)</td><td>Power driven pumps-reciprocating, centrifugal and the like.</td></tr> <tr><td>(12)</td><td>Air and gas compressors and vacuum pipes (excluding electrical furnaces).</td></tr> <tr><td>(13)</td><td>Refrigeration plants for industrial use.</td></tr> <tr><td>(14)</td><td>Firefighting equipment and appliances including fire engines.</td></tr> </table> <p><i>C. Other items of industrial Machinery:</i></p> <table border="1"> <tr><td>(1)</td><td>Ball, roller and tapered bearings.</td></tr> <tr><td>(2)</td><td>Speed reduction units.</td></tr> <tr><td>(3)</td><td>Grinding wheels and abrasives.</td></tr> </table>	(1)	Size reduction equipment - crushers, ball mills and the like.	(2)	Conveying equipment- bucket elevators, skip hoist, cranes, derrick and the like.	(3)	Size separation units-screens, classifiers and the like.	(4)	Mixers and reactors-kneading mills, turbo mixers and the like.	(5)	Filtration equipment-filter presses, rotary filters and the like.	(6)	Centrifugal machines.	(7)	Evaporators.	(8)	Distillation equipment.	(9)	Crystallisers.	(10)	Driers.	(11)	Power driven pumps-reciprocating, centrifugal and the like.	(12)	Air and gas compressors and vacuum pipes (excluding electrical furnaces).	(13)	Refrigeration plants for industrial use.	(14)	Firefighting equipment and appliances including fire engines.	(1)	Ball, roller and tapered bearings.	(2)	Speed reduction units.	(3)	Grinding wheels and abrasives.
(1)	Size reduction equipment - crushers, ball mills and the like.																																		
(2)	Conveying equipment- bucket elevators, skip hoist, cranes, derrick and the like.																																		
(3)	Size separation units-screens, classifiers and the like.																																		
(4)	Mixers and reactors-kneading mills, turbo mixers and the like.																																		
(5)	Filtration equipment-filter presses, rotary filters and the like.																																		
(6)	Centrifugal machines.																																		
(7)	Evaporators.																																		
(8)	Distillation equipment.																																		
(9)	Crystallisers.																																		
(10)	Driers.																																		
(11)	Power driven pumps-reciprocating, centrifugal and the like.																																		
(12)	Air and gas compressors and vacuum pipes (excluding electrical furnaces).																																		
(13)	Refrigeration plants for industrial use.																																		
(14)	Firefighting equipment and appliances including fire engines.																																		
(1)	Ball, roller and tapered bearings.																																		
(2)	Speed reduction units.																																		
(3)	Grinding wheels and abrasives.																																		
9.	MACHINE TOOLS: (1) Machine Tools.																																		
10.	AGRICULTURAL MACHINERY: <table border="1"> <tr><td>(1)</td><td>Tractors, harvestors and the like.</td></tr> <tr><td>(2)</td><td>Agricultural implements.</td></tr> </table>	(1)	Tractors, harvestors and the like.	(2)	Agricultural implements.																														
(1)	Tractors, harvestors and the like.																																		
(2)	Agricultural implements.																																		
11.	EARTH-MOVING MACHINERY: Bulldozers, dumpers, scrapers, loaders, shovels, drag lines, bucket wheel excavators, road rollers and the like.																																		
12.	MISCELLANEOUS MECHANICAL AND ENGINEERING INDUSTRIES: <table border="1"> <tr><td>(1)</td><td>Plastic moulded goods.</td></tr> <tr><td>(2)</td><td>Hand tools, small tools and the like.</td></tr> <tr><td>(3)</td><td>Razor blades.</td></tr> <tr><td>(4)</td><td>Pressure Cookers.</td></tr> <tr><td>(5)</td><td>Cutlery.</td></tr> <tr><td>(6)</td><td>Steel furniture.</td></tr> </table>	(1)	Plastic moulded goods.	(2)	Hand tools, small tools and the like.	(3)	Razor blades.	(4)	Pressure Cookers.	(5)	Cutlery.	(6)	Steel furniture.																						
(1)	Plastic moulded goods.																																		
(2)	Hand tools, small tools and the like.																																		
(3)	Razor blades.																																		
(4)	Pressure Cookers.																																		
(5)	Cutlery.																																		
(6)	Steel furniture.																																		
13.	COMMERCIAL, OFFICE AND HOUSEHOLD EQUIPMENT: <table border="1"> <tr><td>(1)</td><td>Typewriters.</td></tr> <tr><td>(2)</td><td>Calculating machines.</td></tr> <tr><td>(3)</td><td>Air conditioners and refrigerators.</td></tr> <tr><td>(4)</td><td>Vacuum cleaners.</td></tr> <tr><td>(5)</td><td>Sewing and knitting machines.</td></tr> </table>	(1)	Typewriters.	(2)	Calculating machines.	(3)	Air conditioners and refrigerators.	(4)	Vacuum cleaners.	(5)	Sewing and knitting machines.																								
(1)	Typewriters.																																		
(2)	Calculating machines.																																		
(3)	Air conditioners and refrigerators.																																		
(4)	Vacuum cleaners.																																		
(5)	Sewing and knitting machines.																																		

	(6)	Hurricane lanterns.
14.	MEDICAL AND SURGICAL APPLIANCES: Surgical instruments- sterilisers, incubators and the like.	
15.	INDUSTRIAL INSTRUMENTS	
	(1)	Water metres, steam metres, electricity metres and the like.
	(2)	Indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.
	(3)	Weighing machines.
16.	SCIENTIFIC INSTRUMENTS	
17.	MATHEMATICAL, SURVEYING AND DRAWING INSTRUMENTS	
18.	FERTILISERS:	
	(1)	Inorganic fertilizers.
	(2)	Organic fertilisers.
	(3)	Mixed fertilisers.
19.	CHEMICAL (OTHER THAN FERTILISERS):	
	(1)	Inorganic heavy chemicals.
	(2)	Organic heavy chemicals.
	(3)	Fine chemicals including photographic chemicals.
	(4)	Synthetic resins and plastics.
	(5)	Paints, varnishes and enamels.
	(6)	Synthetic rubbers.
	(7)	Man-made fibres including regenerated cellulose rayon, nylon and the like.
	(8)	Coke oven by-products.
	(9)	Coal tar distillation products like naphthalene, anthracene and the like.
	(10)	Explosives including gun powder and safety fuses.
	(11)	Insecticides, fungicides, weedicides and the like.
	(12)	Textile auxiliaries.
	(13)	Sizing materials including starch.
	(14)	Miscellaneous chemicals.
20.	PHOTOGRAPHIC RAW FILM AND PAPER: (1) Cinema film. (2) Photographic amateur film. (3) Photographic printing paper	
21.	DYE-STUFFS	
22.	DRUGS AND PHARMACEUTICALS	
23.	TEXTILES (INCLUDING THOSE DYED, PRINTED OR OTHERWISE PROCESSED): (1) Made wholly or in part of cotton, including cotton yarn, hosiery and rope. (2) Made wholly or in part of jute, including jute twine and rope. (3) Made wholly or in part of wool, including wool tops, woolen yarn, hosiery, carpets and druggets;	

	(4) Made wholly or in part of silk, including silk yarn and hosiery; (5) Made wholly or in part of synthetic, artificial (man-made) fibres, including yarn and hosiery of such fibres.												
24.	PAPER AND PULP INCLUDING PAPER PRODUCTS: <table border="1"> <tr> <td>(1)</td> <td>Paper - writing, printing and wrapping.</td> </tr> <tr> <td>(2)</td> <td>Newsprint.</td> </tr> <tr> <td>(3)</td> <td>Paper board and straw board.</td> </tr> <tr> <td>(4)</td> <td>Paper for packaging (corrugated paper, kraft paper, bags, paper containers and the like).</td> </tr> <tr> <td>(5)</td> <td>Pulp - wood pulp, mechanical, chemical, including dissolving pulp.</td> </tr> </table>	(1)	Paper - writing, printing and wrapping.	(2)	Newsprint.	(3)	Paper board and straw board.	(4)	Paper for packaging (corrugated paper, kraft paper, bags, paper containers and the like).	(5)	Pulp - wood pulp, mechanical, chemical, including dissolving pulp.		
(1)	Paper - writing, printing and wrapping.												
(2)	Newsprint.												
(3)	Paper board and straw board.												
(4)	Paper for packaging (corrugated paper, kraft paper, bags, paper containers and the like).												
(5)	Pulp - wood pulp, mechanical, chemical, including dissolving pulp.												
25.	SUGAR												
26.	FERMENTATION INDUSTRIES: (1) Alcohol. (2) Other products of fermentation industries.												
27.	FOOD PROCESSING INDUSTRIES: <table border="1"> <tr> <td>(1)</td> <td>Canned fruits and fruit products.</td> </tr> <tr> <td>(2)</td> <td>Milk foods.</td> </tr> <tr> <td>(3)</td> <td>Malted Foods.</td> </tr> <tr> <td>(4)</td> <td>Flour.</td> </tr> <tr> <td>(5)</td> <td>Other processed foods.</td> </tr> </table>	(1)	Canned fruits and fruit products.	(2)	Milk foods.	(3)	Malted Foods.	(4)	Flour.	(5)	Other processed foods.		
(1)	Canned fruits and fruit products.												
(2)	Milk foods.												
(3)	Malted Foods.												
(4)	Flour.												
(5)	Other processed foods.												
28.	VEGETABLE OILS AND VANASPATHI: <table border="1"> <tr> <td>(1)</td> <td>Vegetable oils, including solvent extracted oils.</td> </tr> <tr> <td>(2)</td> <td>Vanaspati.</td> </tr> </table>	(1)	Vegetable oils, including solvent extracted oils.	(2)	Vanaspati.								
(1)	Vegetable oils, including solvent extracted oils.												
(2)	Vanaspati.												
29.	SOAPS, COSMETICS AND TOILET PREPARATIONS: (1) Soaps (2) Glycerine (3) Cosmetics (4) Perfumery (5) Toilet preparations												
30.	RUBBER GOODS: <table border="1"> <tr> <td>(1)</td> <td>Tyres and tubes.</td> </tr> <tr> <td>(2)</td> <td>Surgical and medical products including prophylactics.</td> </tr> <tr> <td>(3)</td> <td>Footwear.</td> </tr> <tr> <td>(4)</td> <td>Other rubber goods.</td> </tr> </table>	(1)	Tyres and tubes.	(2)	Surgical and medical products including prophylactics.	(3)	Footwear.	(4)	Other rubber goods.				
(1)	Tyres and tubes.												
(2)	Surgical and medical products including prophylactics.												
(3)	Footwear.												
(4)	Other rubber goods.												
31.	LEATHER, LEATHER GOODS AND PICKERS:												
32.	GLUE AND GELATIN												
33.	GLASS: <table border="1"> <tr> <td>(1)</td> <td>Hollow ware.</td> </tr> <tr> <td>(2)</td> <td>Sheet and plate glass.</td> </tr> <tr> <td>(3)</td> <td>Optical glass.</td> </tr> <tr> <td>(4)</td> <td>Glass wool.</td> </tr> <tr> <td>(5)</td> <td>Laboratory ware.</td> </tr> <tr> <td>(6)</td> <td>Miscellaneous ware.</td> </tr> </table>	(1)	Hollow ware.	(2)	Sheet and plate glass.	(3)	Optical glass.	(4)	Glass wool.	(5)	Laboratory ware.	(6)	Miscellaneous ware.
(1)	Hollow ware.												
(2)	Sheet and plate glass.												
(3)	Optical glass.												
(4)	Glass wool.												
(5)	Laboratory ware.												
(6)	Miscellaneous ware.												
34.	CERAMICS:												

	(1)	Fire bricks.	
	(2)	Refractories.	
	(3)	Furnace lining bricks - acidic, basic and neutral.	
	(4)	China ware and pottery.	
	(5)	Sanitary ware.	
	(6)	Insulators.	
	(7)	Tiles.	
	(8)	Graphite Crucibles.	
35.	CEMENT AND GYPSUM PRODUCTS:		
	(1)	Portland cement.	
	(2)	Asbestos cement.	
	(3)	Insulating boards.	
	(4)	Gypsum boards, wall boards and the like.	
36.	TIMBER PRODUCTS:		
	(1)	Plywood.	
	(2)	Hardboard, including fibre-board, chip-board and the like.	
	(3)	Matches.	
	(4)	Miscellaneous (furniture components, bobbins, shutters and the like)	
37.	DEFENCE INDUSTRIES: Arms and ammunition.		
38.	MISCELLANEOUS INDUSTRIES:		
	(1)	Cigarettes.	
	(2)	Linoleums, whether felt based or jute based.	
	(3)	Zip fasteners (metallic and non-metallic).	
	(4)	Oil Stoves.	
	(5)	Printing, including litho printing industry.	

Explanation 1.- The articles specified under each of the headings Nos. 3, 4, 5, 6,7, 8, 10, 11 and 13 shall include their component parts and accessories.

Explanation 2.- The articles specified under each of the headings Nos. 18, 19, 21 and 22 shall include the intermediates required for their manufacture.