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Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Telephone: 8657442944/45/46/47/48 Email: cai@caionline.in
www.caionline.in

Key Amendment Under Section 43B of Income Tax Act for Micro and Small Enterprises from AY 2024-25

Shri. Ronak Sandip Jain is a Partner in Jain Advocates, Ahmedabad. He is a practicing advocate of indirect taxes upto the appellate level in Gujarat as well as other states of India. He has been on various committees of the Gujarat sales tax bar association: Member of Law Committee (2015-2016), Member of Website Committee (2015-2016) and Member of EDP representation and Website Committee (2016-2017 and 2019-2020); Member of Refresher Course Committee:-

EXPERT'S Column



Shri. Ronak Jain
Partner, Jain Advocates

The Gujarat Sales Tax Bar Association (2021-2023) and Member of Indirect Tax Task Force:- The Gujarat Chamber Of Commerce And Industry (2022-2023). He is an accredited GST trainer from the National Academy of Customs, Excise & Narcotics, Faridabad. He has delivered lectures on GST at various trade forums, professional associations and also at departmental outreach programmes. He has also participated in various GST discussions in the print and electronic media.

MSME Act, 2006 already provide for timely payment to Micro, Small and Medium Enterprises under the provisions of the Act. To promote timely payments to Micro and Small Enterprises, a new clause (h) in section 43B of the Income Tax Act, 1961 has been inserted with effect from AY 2024-25, i.e. F. Y. 2023-24. This allows any amount payable as on the last day of the financial year to Micro and Small Enterprises covered under MSME Act, 2006 as deduction from business income only on actual payment basis within prescribed time limit specified under provisions of MSME Act (maximum within 45 days in case of written agreement/terms conditions specified or within 15 days if no agreement/terms exist).

Under the newly inserted clause (h) of Section 43B, Medium Enterprises covered under MSME Act having a turnover more than or equal to Rs. 50 crores are not covered.

Following are the classification criteria for Micro and Small Enterprises:

Type of Enterprise	Investment in Plant & Machinery	Turnover
Micro	Upto 1 cr	Upto 5 cr
Small	Upto 10 cr	Upto 50 Cr

Any payment which is made during the year for the purchases/services/expenses billed in the same year are allowed as business expense even if 45/15 days condition is not fulfilled, because payment is made in the year of billing itself but provision of interest needs to be made as per MSME Act for the late payments. Tax payers are required to separate any amount outstanding to Micro and Small Enterprises reflecting on 31st March, 2024.

For example, if amount outstanding to Micro and Small Enterprises is Rs. 1 crore and Net profit is Rs. 10 lakhs for FY 2023-24, Rs. 1 crore will be disallowed and added to Net profit if 45/15 days condition for payment is not fulfilled. Now Income Tax will be calculated on Rs. 1 crore 10 lakhs. Such disallowed amounts will be allowed in the year of actual payment. However, Opening Balances as on 01.04.2023 will not be considered while calculating amount of disallowance as these are claimed as business deduction in earlier years before the provisions of this clause came into effect.

On the MSME portal, you can easily verify registration of Udyam Aadhaar of the supplier and type of enterprise (Micro/ Small/ Medium). Supplier has the responsibility to intimate its Udyam Aadhaar to the buyer. In case of no information to the buyer, no disallowance can be made under section 43B(h).

Traders are not included in definition of Enterprises under MSMED Act. Enterprises means businesses engaged in the manufacture or production of goods or engaged in providing or

rendering of services. Hence, section 43B(h) is not applicable for amounts outstanding to traders. However, Ministry of MSME has allowed Udyam Registration of Traders but that too restricted to Priority Sector Lending viz., agriculture and small-scale industries Only.

Disallowances under section 43B(h) cannot be made in case of an assessee opting presumptive taxation (sec 44AD/ ADA/ AE) as section 43B is not applicable in these cases.

This amendment will not affect any amount outstanding to Micro and Small Enterprises in respect of goods/ services which are not debited to Profit & Loss A/c, but capitalised as an asset in the financials. This provision will never apply to such payments.

Tax auditors need to check whether section 43B (h) of the Act is complied with and they are liable for proper reporting of disallowed expenses under Section 43B (h) in their Tax Audit Report. All the assesseees who are maintaining proper books of accounts are covered under the above clause.

Conclusion

In view of the discussion above, this amendment in Section 43B is a boom for the growth of Micro and Small Enterprises. It will accelerate their performance due to timely payments to them and no default from the buyer side. On the other hand, it will lead to high tax consequences for the buyers if delay happens in actual payment by them.

Illustrative Examples:

Case	Day of acceptance of any goods or any services by a buyer from a supplier.	Credit Period (Days)	Actual Date of payment	Allowed in FY
1	29.03.2024	60	25.05.2024	FY 2024-25
2	01.04.2024	45	21.05.2024	FY 2024-25
3	31.01.2024	15	20.02.2024	FY 2023-24
4	11.09.2023	20	03.10.2023	FY 2023-24
5	30.11.2023	30	20.12.2023	FY 2023-24
6	21.04.2024	40	20.06.2024	FY 2024-25
7	15.12.2023	-	05.04.2024	FY 2024-25
8	10.11.2023	-	30.11.2023	FY 2023-24

(The views expressed in this column are of the author and not that of Cotton Association of India)

Sr. No.	Parameters	Grade				Staple				Micronaire	
		Premium		Discounts		Premium		Discounts		Micronaire	Discount
		Grade	Premium Amount	Grade	Discount Amount	Staple	Premium Amount	Staple	Discount Amount		
8	P/H/R (U)	Superfine	+1000	Fully Good	-1000			26	-700	3.0 - 3.2	-800
	ICS-105										
	(Staple length 27mm)										
	Micronaire 3.5 - 4.9	Extra S. Fine	N.A.	Good	-1300					3.3 - 3.4	-400
	(Grade : Fine) Trash - 4% Strength/GPT 26				(1.99)						(0.61)
9	M/M(P)/SA/TL/G ICS-105	Superfine	N.A.	Fully Good	-700	28	+1000			2.7 - 2.9	-500
	(Staple length 27mm)										
	Micronaire 3.0 - 3.4				(1.07)		(1.53)				(0.77)
	(Grade: Fine)	Extra S. Fine	N.A.	Good	-900						
	Trash - 4% Strength/GPT 25				(1.38)						
10	M/M(P)/SA/TL	Superfine	+700	Fully Good	-800						
	ICS-105										
	(Staple length 27mm)										
	Micronaire 3.5 - 4.9	Extra S. Fine	N.A.	Good	-1000						
	(Grade:Fine) Trash - 3.5% Strength/GPT 26				(1.53)						
11	P/H/R (U)	Superfine	+1000	Fully Good	-1000	29	N.A.			3.0 - 3.2	-800
	ICS-105										
	(Staple length 28mm)										(1.23)
	Micronaire 3.5 - 4.9	Extra S. Fine	N.A.	Good	-1300					3.3 - 3.4	-400
	(Grade:Fine)				(1.99)						(0.61)
	Trash - 4% Strength/GPT 27										
12	M/M(P)	Superfine	+700	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 28mm)										(1.84)
	Micronaire 3.7 - 4.5	Extra S. Fine	N.A.	Good	-1000 (1.53)					3.3 - 3.4	-800 (1.23)
	(Grade:Fine) Trash - 3.5% Strength/GPT 27								3.5 - 3.6	-400 (0.61)	
13	SA/TL/K	Superfine	+700	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 28mm)										(1.84)
	Micronaire 3.7 - 4.5	Extra S. Fine	N.A.	Good	-1000 (1.53)					3.3 - 3.4	-800 (1.23)
	(Grade:Fine) Trash - 3.5% Strength/GPT 27								3.5 - 3.6	-400 (0.61)	
14	GUJ	Superfine	+700	Fully Good	-700			27	-800	3.0 - 3.2	-1200
	ICS-105										
	(Staple length 28mm)										
	Micronaire 3.7 - 4.5	Extra S. Fine	N.A.	Good	-1000 (1.53)					3.3 - 3.4	-800 (1.23)
	(Grade:Fine)										
	Trash - 3% Strength/GPT 27								3.5 - 3.6	-400 (0.61)	
15	R (L)	Superfine	+1000	Fully Good	-1100			28	-1000	3.0 - 3.2	-1200
	ICS-105										
	(Staple length 29mm)										
	Micronaire 3.7 - 4.5	Extra S. Fine	N.A.	Good	-1300					3.3 - 3.4	-800 (1.23)
	(Grade:Fine)										
	Trash - 3.5% Strength/GPT 28				(1.99)				3.5 - 3.6	-400 (0.61)	

Sr. No.	Parameters	Grade				Staple				Micronaire	
		Premium		Discounts		Premium		Discounts		Micronaire	Discount
		Grade	Premium Amount	Grade	Discount Amount	Staple	Premium Amount	Staple	Discount Amount		
16	M/M(P)	Superfine	+500	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 29mm)										
	Micronaire 3.7 - 4.5										
	(Grade:Fine)	Extra S. Fine	+800	Good	-1000					3.3 - 3.4	-800 (1.23)
Trash-3.5%Strength/GPT28		(1.23)		(1.53)					3.5 - 3.6	-400 (0.61)	
17	SA/TL/K	Superfine	+500	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 29mm)										
	Micronaire 3.7 - 4.5	Extra S. Fine	+800 (1.23)	Good	-1000 (1.53)				3.3 - 3.4	-800 (1.23)	
	(Grade:Fine)										
Trash - 3% Strength/GPT 28									3.5 - 3.6	-400 (0.61)	
18	GUJ	Superfine	+500	Fully Good	-700	30	+700			3.0 - 3.2	-1200
	ICS-105										
	(Staple length 29mm)										
	Micronaire 3.7 - 4.5										
	(Grade:Fine)	Extra S. Fine	+800 (1.23)	Good	-1000 (1.53)					3.3 - 3.4	-800 (1.23)
Trash - 3% Strength/GPT 28									3.5 - 3.6	-400 (0.61)	
19	M/M(P)	Superfine	+500	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 30mm)										
	Micronaire 3.7 - 4.5 (Grade:Fine)	Extra S. Fine	+800	Good	-1000					3.3 - 3.4	-800 (1.23)
	Trash-3.5%Strength/GPT29		(1.23)		(1.53)					3.5 - 3.6	-400 (0.61)
20	SA/TL/K/O	Superfine	+500	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 30mm)										
	Micronaire 3.7 - 4.5										
	(Grade:Fine)	Extra S. Fine	+800	Good	-1000					3.3 - 3.4	-800 (1.23)
Trash - 3% Strength/GPT 29		(1.23)		(1.53)					3.5 - 3.6	-400 (0.61)	
21	M/M(P)	Superfine	+700	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 31mm)										
	Micronaire 3.7 - 4.5	Extra S. Fine	+1000	Good	-1000					3.3 - 3.4	-800 (1.23)
	(Grade : Fine) Trash - 3% Strength/GPT 30		(1.53)		(1.53)					3.5 - 3.6	-400 (0.61)
22	SA/TL/K/IN/O	Superfine	+700	Fully Good	-700					3.0 - 3.2	-1200
	ICS-105										
	(Staple length 31mm)										
	Micronaire 3.7 - 4.5	Extra S. Fine	+1000	Good	-1000					3.3 - 3.4	-800 (1.23)
	(Grade : Fine) Trash - 3% Strength/GPT 30		(1.53)		(1.53)					3.5 - 3.6	-400 (0.61)

Sr. No.	Parameters	Grade				Staple				Micronaire	
		Premium		Discounts		Premium		Discounts		Micronaire	Discount
		Grade	Premium Amount	Grade	Discount Amount	Staple	Premium Amount	Staple	Discount Amount		
23	SA/TL/K/TN/O	Superfine	N.A.	Fully Good	N.A.			31	N.A.	3.0 - 3.2	N.A.
	ICS-106										
	(Staple length 32mm)										
	Micronaire 3.5 - 4.2	Extra S. Fine	N.A.	Good	N.A.					3.3 - 3.4	N.A.
	(Grade : Fine) Trash - 3% Strength/GPT 31										
24	M/M(P)	Superfine	+1500	Fully Good	-1000	35	+1500	33	-1500	2.5 - 2.7	-700
	ICS-107										
	(Staple length 34mm)		(2.30)		(1.53)		(2.30)		(2.30)		(1.07)
	Micronaire 2.8 - 3.7	Extra S. Fine	N.A.	Good	-1500	36	+3000				
	(Grade : Fine) Trash - 4% Strength/GPT 33				(2.30)	(4.60)					
25	K/TN	Superfine	+2000	Fully Good	-1000	35	+2000	33	-1500	2.5 - 2.7	-700
	ICS-107										
	(Staple length 34mm)		(3.07)		(1.53)		(3.07)		(2.30)		(1.07)
	Micronaire 2.8 - 3.7	Extra S. Fine	N.A.	Good	-1500	36	+4000				
	(Grade : Fine) Trash - 3.5% Strength/GPT 34				(2.30)	(6.14)					
26	M/M(P)	Superfine	+1500	Fully Good	-1000	36	+2000	34	-1500	2.5 - 2.7	-700
	ICS-107										
	(Staple length 35mm)		(2.30)		(1.53)		(3.07)		(2.30)		(1.07)
	Micronaire 2.8 - 3.7	Extra S. Fine	N.A.	Good	-1500						
	(Grade : Fine) Trash - 4% Strength/GPT 35				(2.30)						
27	K/TN	Superfine	+2000	Fully Good	-1000	36	+2000	34	-2000	2.5 - 2.7	-700
	ICS-107										
	(Staple length 35mm)		(3.07)		(1.53)		(3.07)		(3.07)		(1.07)
	Micronaire 2.8 - 3.7	Extra S. Fine	N.A.	Good	-1500						
	(Grade : Fine) Trash - 3.5% Strength/GPT 35				(2.30)						

Conversion factor – 651.90 based on the RBI closing exchange rate of 1 US \$ = Rs.83.15 prevailing on 30th January 2024.

Figures in bracket denotes value difference in Cents per Lb.

Note :

- (1) These Value Differences are applicable to domestic trade.
- (2) The above differences are merely indicative in nature. Cotton Association of India gives no warranty as to the accuracy or completeness of information contained herein and accepts no legal responsibility howsoever arising in relation to such information.
- (3) Premium and Discount mentioned in Indian Rupees above will remain constant for one month whereas the same mentioned in Cents per Lb. will vary as per the exchange rate fixed by the Reserve Bank of India.



COTTON ASSOCIATION OF INDIA



A CHILD'S CHILDHOOD IS FOR LEARNING
DON'T USE THEIR CHILDHOOD FOR EARNING
SAY NO TO CHILD LABOUR

UPCOUNTRY SPOT RATES (Rs./Qtl)													
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2022-23 Crop February 2024					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	5th	6th	7th	8th	9th	10th
4	KAR	ICS-103	Fine	22mm	4.5 – 6.0	6%	21	13498 (48000)	13779 (49000)	13779 (49000)	13779 (49000)	13919 (49500)	14004 (49800)
Spot Rate (Upcountry) 2023-24 Crop													
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	13160 (46800)	12626 (44900)	12626 (44900)	12766 (45400)	12766 (45400)	12879 (45800)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	13301 (47300)	12795 (45500)	12795 (45500)	12935 (46000)	12935 (46000)	13048 (46400)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	10236 (36400)	10151 (36100)	10067 (35800)	10067 (35800)	10208 (36300)	10292 (36600)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	14875 (52900)	14791 (52600)	14791 (52600)	14791 (52600)	14875 (52900)	14904 (53000)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	14707 (52300)	14622 (52000)	14622 (52000)	14679 (52200)	14707 (52300)	14791 (52600)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	14847 (52800)	14791 (52600)	14791 (52600)	14847 (52800)	14875 (52900)	14960 (53200)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	13498 (48000)	13498 (48000)	13554 (48200)	13610 (48400)	13694 (48700)	13751 (48900)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	14341 (51000)	14257 (50700)	14257 (50700)	14313 (50900)	14454 (51400)	14510 (51600)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	15016 (53400)	14960 (53200)	14988 (53300)	15044 (53500)	15072 (53600)	15157 (53900)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15185 (54000)	15129 (53800)	15185 (54000)	15213 (54100)	15297 (54400)	15382 (54700)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	15241 (54200)	15185 (54000)	15241 (54200)	15269 (54300)	15353 (54600)	15438 (54900)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	15550 (55300)	15494 (55100)	15494 (55100)	15550 (55300)	15607 (55500)	15663 (55700)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15325 (54500)	15269 (54300)	15269 (54300)	15325 (54500)	15325 (54500)	15410 (54800)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	15466 (55000)	15410 (54800)	15438 (54900)	15466 (55000)	15550 (55300)	15635 (55600)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15522 (55200)	15466 (55000)	15494 (55100)	15522 (55200)	15607 (55500)	15691 (55800)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	15719 (55900)	15663 (55700)	15663 (55700)	15719 (55900)	15775 (56100)	15832 (56300)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	15663 (55700)	15635 (55600)	15663 (55700)	15691 (55800)	15747 (56000)	15832 (56300)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	15719 (55900)	15691 (55800)	15719 (55900)	15747 (56000)	15803 (56200)	15888 (56500)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	15972 (56800)	15944 (56700)	15972 (56800)	16028 (57000)	16056 (57100)	16113 (57300)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	16028 (57000)	16000 (56900)	16028 (57000)	16085 (57200)	16113 (57300)	16169 (57500)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	22074 (78500)	22074 (78500)	22355 (79500)	22355 (79500)	22355 (79500)	22355 (79500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	22496 (80000)	22496 (80000)	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	23340 (83000)	23340 (83000)	23340 (83000)	23340 (83000)	23340 (83000)	23340 (83000)

(Note: Figures in bracket indicate prices in Rs./Candy)