⏳ MATRIX 1: The MSME Payment Timeline

Under the MSMED Act, your payment deadline strictly depends on your vendor contracts.

Written Agreement with MSME?	Maximum Credit Allowed	Your Strict Payment Deadline
❌ **No Agreement**	15 Days	15 Days from delivery of goods/services
✅ **Yes (e.g., 30 Days)**	As per Agreement	30 Days from delivery
✅ **Yes (e.g., 60+ Days)**	**45 Days Cap**	45 Days from delivery (Legal Maximum)

🚨 MATRIX 2: The Tax Audit & Form 3CD Trap

What happens if you cross the timeline and 31st March hits? Here is exactly what the auditor must report:

Payment Status on 31st March	Tax Impact (Section 43B(h))	Form 3CD Reporting (Tax Audit)
Paid WITHIN 15/45 days	✅ Allowed as expense	Clean. No negative reporting.
Paid LATE, but BEFORE 31st Mar	✅ Allowed in current year	Clean. (Allowed on actual payment basis).
Outstanding on 31st Mar (Late)	❌ **DISALLOWED.** Added to Profit!	**Clause 26:** Disallowed & taxed this year. (Allowed only next year when actually paid).
Interest payable for delay	❌ **PERMANENTLY Disallowed**	**Clause 22:** Mandatory reporting. You can never claim this interest expense!

⚠️ CA's Quick Audit Checklist:

Before you finalize your books, verify these three things about your creditors:

1. **Size:** This rule applies ONLY to **Micro** (Turnover up to ₹5 Cr) and **Small** (Turnover up to ₹50 Cr) enterprises. Medium enterprises are exempt.
2. **Category:** It applies to Manufacturers and Service Providers. **Traders/Wholesalers are excluded.**
3. **Udyam Registration:** You must ask your vendors for their Udyam Certificate to confirm their status. If they don't have one, this section doesn't apply.

Don't let working capital delays trigger a massive tax demand.