

# Bill Summary

## The Small and Medium Enterprises Development Bill, 2005

- The Small and Medium Enterprises Development Bill 2005 was introduced in the Lok Sabha on May 12, 2005. The Department Related Parliamentary Committee on Industry (Chairperson: Santosh Bagrodia) submitted its report on the Bill on August 4, 2005.
- The Bill seeks to (a) classify enterprises as small or medium (b) empower the central and state governments to take steps to promote small and medium enterprises (c) streamline inspection procedures (d) improve procedures to address the problem of delayed payments to small enterprises.
- The Bill repeals the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.
- Proposed classification of enterprises

Industries specified in the first schedule of the Industries (Development and Regulation) Act, 1951	Small Enterprises	Medium Enterprises
Manufacture/ production of goods (Investment in Plant and Machinery)	5 crores or less	More than 5 crores but less than or equal to 10 crores
Services (Investment in Equipment)	2 crores or less	More than 2 crores but less than or equal to 5 crores

- An advisory committee appointed by the central government shall make recommendations on classification of enterprises. The central government can vary the criterion of investment and also consider other criteria such as employment and turnover while classifying enterprises.
- Every person who has established or intends to establish a medium enterprise shall file a memorandum as specified by the central government. A person who has established or intends to establish a small enterprise may at his discretion file a memorandum as specified by the state government.
- The National Small and Medium Enterprises Board shall be established to make recommendations to the central government on policies and programmes for development of SME. The Board shall consist of ministers and secretaries of specified central and state ministries and chairpersons of specified entities as ex officio members and an RBI officer, ten members from associations of small enterprises and one person each from the field of economics and industry appointed by the central government.
- Measures to promote small and medium enterprises (SME)

- The central government may notify programmes for skill development, marketing assistance, infrastructure facilities etc. for development of small and medium enterprises
- A state government may notify that the Employers' Liability Act 1938, The Weekly Holidays Act 1932, Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 and the Apprentices Act, 1961 do not apply to SME employing less than 50 persons.
- Credit facilities to SME shall be specified in guidelines issued by the RBI.
- The central or state governments may notify preference policies for procurement of goods and services from small enterprises by its ministries, aided institutions or public sector enterprises.
- Notwithstanding provisions relating to inspection in any other Act, inspection of SME shall be carried out with a view to promote self regulation and self certification of SME and as prescribed by the central government.
- Every SME shall maintain records and file returns as prescribed by the central government.
- Delayed Payments to small enterprises
  - Any buyer who buys goods/ services shall be liable to make payment as agreed upon between the buyer and the supplier such that the period shall not exceed 75 days from the date of delivery of goods or rendering of services or within 30 days in case of no agreement.
  - If buyer fails to make payment, he shall be liable to pay interest at nine per cent plus the Bank Rate.
  - Dispute relating to recovery of amount from the buyer shall be referred to the Industry Facilitation Councils established by the state governments.
  - Appeals shall be entertained only if 75 per cent of the due amount has been deposited with the court/ authority
  - The buyer is required to give details of unpaid amount and the interest in his annual accounts. The interest payable shall not be allowed as deduction while computing income under the Income Tax Act.

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