October 12, 2026

MINISTRY OF MSME

MSMED Act changes on TReDS and penalties take effect October 15

S.O. 5575(E) brings sections 2 to 7, 11 and 13 to 17 of the MSMED (Amendment) Act, 2026 into force on October 15, 2026, and section 12 on December 15.

THE MINISTRY OF MICRO, Small and Medium Enterprises issued notification S.O. 5575(E), dated October 12, 2026, published the same day in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), No. 5363. It is made under section 1(2) of the Micro, Small and Medium Enterprises Development (Amendment) Act, 2026 (16 of 2026), which lets the Central Government appoint different dates for different provisions. It appoints October 15, 2026 as the date on which sections 2 to 7 (both inclusive), section 11 and sections 13 to 17 (both inclusive) of that Act come into force, and December 15, 2026 for section 12. It is signed by Dr. Rajneesh, Additional Secretary, under F. No. 2/1(1)/2022-P&G/Policy/E. The Amendment Act amends the Micro, Small and Medium Enterprises Development Act, 2006 (the MSMED Act); it received the President's assent on August 13, 2026 and was published that day in the Gazette of India, Extraordinary, Part II, Section 1, No. 32.

KEY FACTS

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The notification gives section numbers only; what each section does is in the Amendment Act. Section 4 replaces section 7(1) of the MSMED Act: the Central Government may, by notification, classify enterprises as micro, small and medium subject to limits on both investment in plant and machinery or equipment, and turnover, with the cost of pollution control, research and development, industrial safety devices and other notified items left out of investment. Section 5 replaces section 8: the Central Government is to notify a national digital platform for free and voluntary filing of the memorandum for registration of micro, small and medium enterprises, and a State Government may notify its own. Section 2 adds a definition of the Development Commissioner and removes references to the sub-clauses of section 7(1) from the definitions of medium, micro and small enterprise; section 3 puts the Development Commissioner on the National Board in place of an officer not below the rank of Joint Secretary; and section 6 omits the words "sub-section (1) of" from section 14(2), on the use of the Fund.

Section 7 inserts section 15A: every Central Public Sector Enterprise must route the settlement of invoices for goods or services procured from micro, small and medium enterprises through a Trade Receivables Discounting System (TReDS) platform authorized by the Reserve Bank, in the form and manner the Central Government prescribes. The Central Government may notify other authorities, bodies or entities to do the same, and a State Government may specify State Public Sector Enterprises and others. Section 13 inserts section 22A, under which these enterprises and notified entities must disclose the details of the invoices routed and settled through TReDS. Section 14 replaces section 27 with graded penalties. A buyer that contravenes section 22, which requires a buyer whose annual accounts must be audited to state in them, among other details, the principal and interest left unpaid to suppliers, is warned the first time, is liable to a penalty of ₹10,000 to ₹50,000 the second time, and is punishable with a fine of ₹50,000 to ₹1 lakh for a third or later contravention. Whoever "wilfully" furnishes false information in the registration memorandum, or fails to comply with section 26(2), under which officers may require information, is warned the first time and then liable to ₹1,000 to ₹50,000. The penalties rise by

ten percent of the minimum amount after every three years from the commencement of the Amendment Act, as the Central Government notifies.

Section 14 also inserts section 27A: the Development Commissioner is the adjudicating officer and may impose a penalty only after giving a reasonable opportunity of being heard. An appeal lies to the Secretary in charge of micro, small and medium enterprises within thirty days of receiving the order, or later for sufficient cause, and is to be disposed of within sixty days; an unpaid penalty is recovered as an arrear of land revenue. Section 11 replaces section 20: each State Government is to establish an adequate number of Micro and Small Enterprises Facilitation Councils, in addition to the existing Council, meeting on a regular basis. Section 12, in force from December 15, 2026, replaces section 21: a Council has three to five members, chaired by an officer not below the rank of Joint Director, with one or more representatives of associations of micro or small industry or enterprises and at least one member from the field of law.

Sections 8, 9 and 10 of the Amendment Act are not brought into force by this notification. They amend section 18 of the MSMED Act on mediation and arbitration by the Facilitation Councils, insert section 18A on recovering mediated settlements and arbitral awards, and replace section 19 on applications to set aside a decree, award or mediated settlement. The notification sets no date for them. It also does not set the investment and turnover limits under the new section 7(1), notify the national digital platform or any entity other than Central Public Sector Enterprises under section 15A, or make the rules on the form and manner of TReDS settlement and disclosure; the Act leaves each of these to a later notification or to rules.

Issued by	Ministry of Micro, Small and Medium Enterprises
Document	Notification S.O. 5575(E)
Dated	October 12, 2026
Published	Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), No. 5363, October 12, 2026
Made under	Section 1(2), Micro, Small and Medium Enterprises Development (Amendment) Act, 2026 (16 of 2026)
In force from October 15, 2026	Sections 2 to 7 (both inclusive), section 11 and sections 13 to 17 (both inclusive)
In force from December 15, 2026	Section 12 (composition of the Micro and Small Enterprises Facilitation Council)
Not brought into force by this notification	Sections 8, 9 and 10
Amends	Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)

Amendment Act	Assented to and published on August 13, 2026, Gazette of India, Extraordinary, Part II, Section 1, No. 32
Applies to	Central Public Sector Enterprises and other notified buyers (TReDS settlement and disclosure); buyers covered by section 22; enterprises filing a registration memorandum; State Governments (Facilitation Councils)
Penalties for a buyer contravening section 22	Warning; then a penalty of ₹10,000 to ₹50,000; then a fine of ₹50,000 to ₹1 lakh
Adjudicating officer	The Development Commissioner; appeal to the Secretary in charge of micro, small and medium enterprises within thirty days
Signed by	Dr. Rajneesh, Additional Secretary
File number	F. No. 2/1(1)/2022-P&G/Policy/E

Sections of the MSMED (Amendment) Act, 2026 and when they take effect

Section	Amends in the MSMED Act	What it does	In force from
2	Section 2	Defines the Development Commissioner; removes references to the sub-clauses of section 7(1) from the definitions of medium, micro and small enterprise; adds that "notify" is construed accordingly in the definition of notification	October 15, 2026
3	Section 3(3)(o)	The Development Commissioner replaces an officer not below the rank of Joint Secretary on the National Board	October 15, 2026
4	Section 7(1)	Classification by notification, with limits on both investment in plant and machinery or equipment, and turnover	October 15, 2026
5	Section 8	National digital platform for free and voluntary filing of the registration memorandum; State platforms	October 15, 2026
6	Section 14(2)	Omits the words "sub-section (1) of"	October 15, 2026
7	New section 15A	Central Public Sector Enterprises route the settlement of MSME invoices through a TReDS platform authorized by the Reserve Bank; others as notified	October 15, 2026
8	Section 18	Time limits for mediation and awards, jurisdiction by the supplier's address, online mediation or arbitration	Not brought into force by this notification
9	New section 18A	Mediated settlements and arbitral awards recoverable as arrears of land revenue	Not brought into force by this notification

10	Section 19	An applicant other than a supplier deposits 75% of the amount before a court entertains an application to set aside a decree, award or mediated settlement	Not brought into force by this notification
11	Section 20	States to establish an adequate number of Facilitation Councils, meeting on a regular basis	October 15, 2026
12	Section 21	Council of three to five members, chaired by an officer not below the rank of Joint Director, with at least one member from the field of law	December 15, 2026
13	New section 22A	Central Public Sector Enterprises and notified entities disclose MSME invoices settled through TReDS	October 15, 2026
14	Section 27; new section 27A	Graded penalties; the Development Commissioner adjudicates; appeal to the Secretary	October 15, 2026
15	Section 29(2)	Central Government rule-making powers for the new provisions	October 15, 2026
16	Section 30(2)	State Government rule-making powers	October 15, 2026
17	Saving	What was done or notified under the MSMED Act continues so far as consistent	October 15, 2026

The notification (PDF, 392 KB)

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