

Seventh Schedule - MSMED Act amendment

Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.

Reviewed through 2026-07-18

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Section 62 is not commenced under the reviewed commencement notification.

Source and commencement status: The official India Code page records the Act and all 65 sections, but section 1 footnote shows only a limited group commenced on 9 October 2023. This publication therefore identifies provision-level status and does not treat uncommenced provisions or Schedule amendments as operative. Open official Act PDF | Department of Legal Affairs instruments.

Dedicated Finin2min Summary - Chapter in 2 Minutes

- Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.
- Section 62 is not commenced under the reviewed commencement notification.
- Use the India Code Act and the Department of Legal Affairs Gazette files as controlling sources.
- Separate the Mediation Act from existing Commercial Courts, consumer, company, court-annexed and special-statute mediation rules.
- Document consent, authority, limitation, confidentiality, settlement drafting, tax, stamp and enforcement before closing the file.

Section-by-section provision map

Provision / gate	Topic	Commencement / status	Finin2min decode	Implementation	Evidence / control
Schedule status	Enabling section	Section 62 is not commenced under the reviewed commencement notification.	Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.	Reconcile exact Schedule text, target Act and commencement before use.	Official Act PDF, commencement notification and target-statute consolidation.
Transaction control	Cross-law amendment	Do not assume effective	Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.	Update contracts/ forms only after legal effective-date memo.	Change-control approval and versioned templates.
Litigation control	Forum and transition	Event-date law applies	Pending and transitional matters require separate analysis.	Case chronology, pleadings and applicable law snapshot.	

Finin2min clause-by-clause decode

Schedule status - Enabling section

Status: Section 62 is not commenced under the reviewed commencement notification.

Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.

Implementation: Reconcile exact Schedule text, target Act and commencement before use.

Evidence: Official Act PDF, commencement notification and target-statute consolidation.

Transaction control - Cross-law amendment

Status: Do not assume effective

Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.

Implementation: Update contracts/forms only after legal effective-date memo.

Evidence: Change-control approval and versioned templates.

Litigation control - Forum and transition

Status: Event-date law applies

Pending and transitional matters require separate analysis.

Implementation: Case chronology, pleadings and applicable law snapshot.

Evidence:

Finin2min implementation explanation

Create a matter control sheet that identifies the operative legal route, provision-level commencement, parties, subject matter, special law, mediator/provider, process rules, limitation, authority, evidence, settlement form and enforcement path. No team should rely on a page without the current source and event-date status.

Practical examples and calculations

- Recasts the section 18 facilitation route from conciliation terminology toward mediation before arbitration.
- Create a dispute-specific chronology, authority matrix, settlement term sheet, tax/stamp note and source register before use.

Timeline model: where an operative route adopts the Act model, separately calculate invitation/service, first appearance, 120-day process period, agreed extension up to 60 days, optional registration clock of 180 days, and challenge clock of 90 days plus a possible further 90 days. Do not apply these figures to an uncommenced provision.

Settlement value model: principal + agreed interest + tax adjustments + costs + security value - payments/credits/set-off, with milestone and default sensitivity.

Practical transaction application

Classify the dispute and contract, issue a source-controlled invitation, secure settlement authority before substantive bargaining, reconcile commercial and legal terms, and close only after signatures, tax/stamp treatment, payment/security, filings and retention are complete.

Authority, consent and execution controls

Verify legal entity names, capacity, board/partner/POA authority, monetary and non-monetary settlement limits, government approval hierarchy, lender/insurer/third-party consents and authority to sign, register, pay, release and withdraw proceedings.

Stamp duty and registration alerts

Stamp duty and registration are State- and instrument-specific. A settlement dealing with immovable property, transfer, release, security, guarantee, lease, partition, IP or other registrable rights requires a State-law memorandum before signature. Electronic execution does not remove stamp duty.

Evidence and document-retention checklist

Maintain two controlled indexes: protected mediation material and independently existing evidence. Preserve contract, authority, notices, service, process agreement, mediator disclosures, attendance, cost, settlement signatures, tax/stamp review, registration, payment, withdrawal and enforcement records.

- | | |
|--|--|
| • Contract and mediation clause | • Independent-evidence index |
| • Special-law and commencement memo | • Attendance and cost ledger |
| • Invitation, notice and service proof | • Settlement term sheet and approvals |
| • Party identity and legal capacity | • Signed/authenticated agreement |
| • Board/partner/POA authority | • Stamp and registration note |
| • Mediator appointment and disclosure | • GST/TDS/accounting working |
| • Process agreement and rules version | • Payment/security/withdrawal proof |
| • Protected-material index | • Challenge/enforcement/retention file |

Performance, delivery and payment controls

Translate each settlement promise into owner, amount, currency, tax, date, milestone, acceptance test, invoice/credit note, security, escrow, default interest, cure, set-off, release trigger and proof of completion.

Breach, loss, mitigation and remedy framework

Quantify principal, interest, admitted/disputed amounts, counterclaims, direct loss, avoided cost, mitigation, costs, tax and security. Select cure, variation, acceleration, termination, enforcement, fresh proceedings or insolvency strategy without double recovery.

Limitation and forum controls

Maintain a dated chronology for cause of action, invitation, statutory notice, first appearance, sessions, termination, settlement, challenge, acknowledgment and filing. Identify court/tribunal jurisdiction, commercial-court PIMS, special-statute forum and any exclusion or condonation rule.

Arbitration and mediation interface

Draft the interface between negotiation, mediation, expert determination, adjudication and arbitration. Preserve urgent interim relief and limitation. Avoid deadlock clauses with no transition, indefinite negotiation or contradictory seat/forum wording.

Company, partnership, GST and tax overlays

Check Companies Act/LLP/partnership authority, related-party and disclosure issues; GST price/credit-note and place-of-supply consequences; TDS, income recognition and deductibility; stamp/registration; FEMA for cross-border payments; IBC moratorium/claims; competition and sector approvals.

Chapter-specific decision flowchart

Seventh Schedule - MSMED Act amendment - decision flow



Stop at any gate that lacks current law, consent, authority, limitation, evidence or executable settlement terms.

Finin2min Q&A

Is the entire Mediation Act operational because India Code shows an enforcement date of 9 October 2023?

No. The section 1 footnote identifies a limited list of commenced provisions. Apply a provision-level commencement matrix.

Can parties still mediate where a Mediation Act provision is uncommenced?

Often yes under contract, court-annexed rules, special statutes, institutional rules or general settlement law, but do not attribute uncommenced statutory consequences to the Act.

Is pre-institution mediation optional in every commercial dispute?

No. Commercial Courts Act section 12A and the PIMS Rules require separate current-law analysis, including the urgent interim-relief exception.

Does a signed settlement automatically have decree status under section 27?

Only when the relevant Mediation Act enforcement provisions are legally operative and conditions are met. Otherwise analyse contract, consent decree, arbitral consent award or special-statute routes.

Can the mediator decide who is right?

No. A mediator facilitates voluntary resolution and should not adjudicate or impose a settlement.

May mediation sessions be recorded?

The Act contemplates confidentiality and no audio/video recording, but confirm the operative legal and institutional rule set for the matter.

What authority is needed to settle for a company or LLP?

Use specific board, committee, partner, power-of-attorney or delegated authority covering amount, non-monetary terms, releases, security and tax consequences.

Does mediation stop limitation automatically?

Do not assume so. Calculate limitation under current operative law, special statutes, acknowledgements, exclusions and any standstill arrangement.

Is an online settlement valid with an electronic signature?

Potentially, subject to the IT Act, contract law, authority, platform integrity, electronic-signature method, stamp/registration and the operative mediation framework.

Are all rules and regulations under the Act now final?

The reviewed sources identify three final 2024 Council governance/accounts rules. The package separately flags regulations, schemes, guidelines and process rules that require current Gazette confirmation.