

**IMPACT OF THE GOODS AND SERVICES TAX ON SMALL AND MEDIUM BUSINESSES (SMEs)****Dr. Vinod Kumar Jangir<sup>1</sup> and Ankit Kumar<sup>2</sup>**<sup>1</sup>Associate Professor, Department of Economic Administration and Financial Management, Govt. N.M. College, Hanumangarh, Rajasthan, India<sup>2</sup>Managing Director, Marudhara College, Hanumangarh, Rajasthan, IndiaE-mail: <sup>1</sup>vjangir599@gmail.com, <sup>2</sup>md@marudharacollege.ac.in<sup>1</sup><https://orcid.org/0000-0001-7613-8100>**ABSTRACT**

*The Indian small and medium enterprise sector had first suffered significantly due to the complexity of the country's present multiple taxation system. This situation has persisted for a time. Because of indirect tax legislation, small and medium-sized businesses usually incur high administrative and compliance costs. Since the small and medium business sector is already behind, it is predicted that the Goods and Services Tax, which is anticipated to be introduced soon, will considerably advance it. A complex and multi-tiered tax structure will be replaced by a simple, uniform, and consistent one thanks to the goods and services tax (GST). The unification of the Indian market and the facilitation of a more seamless and unimpeded flow of goods throughout the country are expected to result from the adoption of the GST. It is absurd to believe that borders between countries will disappear quickly. On the other hand, it is more likely that compliance inspection will take a laxer approach. Small and medium-sized company units that are located in underserved or underdeveloped areas are qualified for tax deductions due to their geographic placements. The location-based exemptions are believed to be illegal under the Goods and Services Tax (GST) principle, which states that the entire country is viewed as a single market. Companies that are already a part of the incentive scheme may have reason for concern about this. India's Goods and Services Tax (GST) was set to be implemented, and small and medium-sized firms stood to earn more as a result than lose.*

**Keywords:** Goods and services tax, Small and medium businesses, Taxation system.**INTRODUCTION**

The Goods and Services Tax, also known as GST, has been hailed as India's most significant indirect tax reform since the country's independence. The Goods and Services Tax (GST) law, which was subject to extensive debate before its passage in Rajyasabha, will now be brought up for discussion during the winter session of the state legislative assemblies. The market is infused with newfound optimism among both sector leaders and government officials as the ball has been set in motion for a unified tax overhaul that will apply across the country. There is a good chance that the GST rollout date of April 1, 2017 will be met. As a result of this, businesses, particularly small and medium-sized businesses (SMEs) across a diverse variety of industries, are in a state of transition.

The Goods and Services Tax (GST) is a consumption tax that is based on the final destination of the product or service and is levied at numerous stages of manufacturing and distribution. It incorporates a number of other taxes, including state and local taxes, taxes on entertainment, excise duty, surcharges, and octroi, amongst others. This tax must be applied to the transaction value, which

takes into account charges like commission and packing that were incurred during the sales process. The fact that products and services are treated the same under the GST and are taxed at the same flat rate throughout the supply chain up until the point when customers can access them is a feature of the GST that is often overlooked.

**OBJECTIVES**

1. To have knowledge of the GST.
2. To conduct research on the beneficial effects of the GST on the micro, small, and medium-sized company sectors.
3. To investigate the detrimental effects of the GST on the micro, small, and medium-sized company sectors.
4. to provide some recommendations for avoiding elements that are detrimental to the small and medium business sector.

**METHODOLOGY**

This article relies solely on secondary sources of information. The information was compiled from books on GST produced by a variety of authors, research papers, journals, newspaper reports, and

website content, in addition to the 2017 GST Act and Rules.

### **THE GOODS AND SERVICES TAX HAS A POSITIVE INFLUENCE ON SMALL AND MEDIUM BUSINESSES**

The implementation of the Goods and Services Tax (GST) is expected to have the greatest impact on small and medium-sized enterprises (SMEs) and new businesses, but this impact is expected to be positive in more ways than one. The following are some of the ways that SMEs and startups will profit from the GST:

1. Ease of beginning a firm that has activities across multiple states requires VAT registration: The various tax rules in each state only serve to further complicate matters and result in a significant increase in the associated procedural fee. The Goods and Services Tax (GST) permits centralised registration, which would simplify the process of launching a business and give small and medium-sized enterprises (SMEs) an advantage when it comes to expanding their operations.
2. Easing the financial burden of taxes on newly established companies in accordance with the current tax structure, companies whose annual revenue is greater than Rs. 5 lakhs are required to pay a VAT registration fee. Over sixty percent of small dealers and traders could benefit from the government's consideration to raise the exemption ceiling for GST to twenty-five lakh.
3. Under the Commodities and Services Tax (GST) bill, an entry tax would not be levied on any goods that are manufactured or sold anywhere in India. This will result in improved logistics and a speedier delivery of services. As a direct consequence of this, the shipment of products at toll checkpoints and interstate junctions will proceed more quickly. According to an estimate by CRISLI, the cost of logistics for manufacturers of bulk goods will get drastically lowered, possibly by as much as 20%. This is projected to increase the manufacturers' competitiveness.
4. The removal of differences between products and services: The Goods and Services Tax (GST) makes it such that there are no longer any distinctions between the two. This will make the different legal actions that are associated with the packed product much

easier to handle. As a direct consequence of this, the distinction between the material component and the service component will be eliminated.

5. The entire method of taxing is made more straightforward, with the elimination of multiple layers of taxation as the primary motivation behind the introduction of GST. As a result of the fact that it imposes a single tax rate on all purchases of goods and services made inside the Indian subcontinent, it is possible to simplify the situation caused by the fact that central taxes and state taxes frequently overlap.

### **NEGATIVE EFFECTS OF THE GOODS AND SERVICES TAX ON THE SMALL AND MEDIUM BUSINESS SECTOR**

However, not everything is peachy keen; there are a few worries regarding this newly formed tax method. Some of these worries include the following:

1. Under the new system, a company that operates across India would need to complete multiple registrations for the Goods and Services Tax (GST). This registration must be completed online for each state in which the company conducts business. If your company ships products to customers in more than one state, you will need to register for the Goods and Services Tax (GST) in each of those states in order to continue operating your business. Due to the fact that the entire registration procedure is conducted online, proprietors of small businesses who are not accustomed to working in an internet environment may find the adjustment to be challenging.
2. Monthly returns must be filed; under the GST, there will be about 36 returns in a fiscal year. In order to file your GST returns, you will also need to close your books, which will take some time.
3. Business owners may be spending the time they spend filling out these returns on more productive duties like expanding their firm or bringing in new clients. An increase in the cost of tax compliance is likely: as was stated earlier, continuously filing three returns a month and uploading invoices on a regular basis will give rise to the requirement for an accountant who possesses technical knowledge.

4. E-commerce suppliers and operators will be required to register; firms that engage in activities linked to e-commerce should register for GST. The Goods and Services Tax (GST) will become mandatory in 2018.

### CONCLUSION

Without a question, the introduction of the GST will disrupt corporate operations, and the specific effects on small and medium-sized businesses (SMEs) would differ significantly depending on the

industry. It should come as no surprise that widespread, national tax change, like a GST, will be received with divergent views. It is much more conceivable that various governments will accept newer, more revolutionary tax policies to diverse degrees. Overall, there will be conflicting reviews of the new tax policies under GST. In order to come to a conclusion that is generally accepted, the impact of GST on the entire Indian economy would essentially need to be examined in its totality.

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