



RECENT TAX LAW CHANGES IMPACTING SMALL BUSINESSES IN INDIA

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ABSTRACT

The impact of the tax law changes on small business has been a matter of growing interest and concern to many people during the last few years. While this affliction of taxation law changes was known to be signifying to all business, its impact is visible to have been particularly severe on small businesses, mostly because they had little or no access to public markets for purpose of capital. The tax difficulties of small business have been so much in the public eye during the past several years.

The present study assesses the effects of India's tax law changes onto the growth of small business, by the level and efficiency of private investment and by carefully relating the dependable parameters. The present study includes analysis of how tax law system has changed its impact on small businesses in India, its objective, corresponding discussion and findings, related recommendations and future research scope.

Keywords: Tax Law Changes; Small Businesses; Taxation Structure.

1. Introduction :

Tax is the main source of revenue for the government, the growth of economy of any country greatly depends on the tax structure it has accepted. A taxation structure which enables easy of doing business and bearing no chance for tax evasion fetches fortune to a country's economy.[3]

There is some evidence that tax law changes were depressing the creation of new small business enterprises and were obstructing the development of old ones. New services have been included to the tax net over the past two years, but the move toward a GST will need additional expansion of the service tax base and the elimination of most excise exceptions, counting for small scale industries, small businesses and selected areas.

2. Need or Importance of the Study :

Taxation structure which has requirements for tax circumvention and the one which does not enable ease of doing business decelerates down the development of India's economy. Consequently a taxation structure with acceptable tax law changes plays a vital role in India's development. There is continuously need for study of the taxation structure and tax law changes to make the taxation structure easier than before.

3. Statement of the Problem :

Indian taxation structure has passed through many reforms and yet it is very far forward from becoming an ideal taxation structure. Analysis of recent tax law changes influencing India is targeted.

4. Objectives :

The objective is to assess the economic consequences in India especially on small business for implementation of tax law changes.

5. Hypothesis :

It is assumed that tax law changes reforms are vital for development of economy of India and for small business in India and analysis is then carried out based on this hypothesis.

6. Research methodology :

Sources of data collection are:

The data, which is collected for the determination of study, is classified into 2 bases:

Primary sources :

The primary data comprises information survey of the first three references mentioned under reference section.

Secondary sources :

The secondary data has been collected from sources like internet, research reports, articles from newspapers and websites.

7. Results & Discussion :

It is possibly attributable in part to the fact that the small business sector of the economy of India is itself not so clearly stated, and to the fact that it holds a great many different kinds of enterprises upon which tax law changes may have varied impacts.

Also, in several cases, the impacts of taxation are qualitative rather than quantitative in eccentric, which makes them more problematic to measure. It is occasionally problematic to separate the impact of tax changes from the impact of other expansions on small business; taxes are frequently responsible for events mostly attributable to additional factors.

Tax law changes have affected the scope and strength of the small business population in many ways. It can decrease the number of business births by depressing those who might then

create new businesses. It can slow down the speed at which small businesses are capable to develop by making it more problematic for them to invest a fast expansion. It weakens the desire and the capability of small businesses to continue as independent enterprises by creating the gains from a sale or union look more striking than the income to be resultant from sustained operation. [1]

A connected result is that corporates that have just restricted access to debt financing, chiefly small businesses, suffer a high actual marginal tax rate. Smaller businesses that suffer problems in deriving and tend to be more reliant on internal sources of funds are therefore deprived compared to larger businesses. [2]

8. Findings :

Because obeying with tax laws is a fixed cost for any size of business, it appears prospective that smaller businesses will tolerate a superior relative burden as compared to larger company. Those small businesses impacted by the future regulations of tax law changes should, either directly or indirectly by advisors, determine how the new tax law setting will change their economic situations.

Neutrality with regards to sources of financing will improve, but small businesses that depend on internal financing would remain comparatively penalized. The minimal tax wedge confronted by such firms would remain $\frac{1}{4}$ percentage point higher than the average. [1]

9. Recommendations :

The recommendations for changes in the tax system are:

- (i) To eliminate the current defects for small businesses, and
- (ii) To create it more pro-ductive (i.e., to create it more efficient from the revenue-raising view point).

The recommendation is that the tax law change system of India and laws connecting to taxes must be made as easy as possible in order that people comprehend the tax law change system better and make volunteer contributions.

Conclusion:

There are several evidences that the high taxes which have been executed on most businesses have upset many of the smaller business more harshly than they impact the larger ones. If it has been expected to have remarkable growth, the small dynamic business has become handicapped by its incapability to recollect and reinvest its personal earnings. Simultaneously, tax law change has dried out many of the sources from which small concerns used to lure their outside equity funds.

10. Scope for Further Research :

In future, issues should be elevated decently on merits of law instead of routine challenges for revenue deliberations. Many problems existing in present tax law change system needs some main reforms in the future ahead to solve all the problems.

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