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The Impact of Goods and Services Tax on Small Businesses in India

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1.INTRODUCTION

On July 1, 2017 India implemented a dual GST system - central GST (CGST) levied by the union government and provincial, or state-GST (SGST) levied by the state (i.e., provincial) governments. The implementation of the GST is beset by many challenges resulting from the federal structure of the country. The micro, small, and medium enterprises (MSME) sector is the backbone of India's economy as these enterprises account for about 110 million jobs, contribute about 29% of the country's gross domestic product[1], and makeup 48.1% of total exports. There are more than 63 million MSME engaged in the manufacturing, services, and trade sectors, more than half of which are in rural areas. The MSME sector is the second-largest employment generating sector in India after agriculture. In this study, we analyze the key challenges faced by the MSME sector in India following the implementation of GST. We will also make certain policy recommendations to reduce the compliance burden of GST in this sector.

Following the provisions of the Micro, Small, and Medium Enterprises Development Act,2006, the MSME sector in India is divided into two categories: manufacturing enterprises and service enterprises. Manufacturing enterprises are defined in terms of the value of investment in plant and machinery, while service enterprises are defined in terms of the value of investment in equipment, as shown in Table1.

[Table 1 to be inserted here]

On June 1, 2020, the Union Cabinet modified the definition of MSME to include more entities. The revised definition determines the investment limits for micro, small, and medium enterprises as Rs.1 crore (USD134,242), Rs.10 crores (USD1.3 million), and Rs.50 crores (USD 6.7 million), respectively. The annual turnover limits are Rs.5 crores (USD 667,222), Rs. 50 crores and Rs.250 crores (USD 33 million), respectively and the revised definition makes no distinction between manufacturing and service sector MSME. Annual turnover has been introduced as an additional criterion (Table 2). The limits for categorizing micro, small and medium units are revised upward

[1] Annual Report, 2018-19, Ministry of Micro, Small and Medium Enterprises, Government of India.

to account for inflation and to enable firms to derive benefits of economies of scale (Nagaraj and Vaibhav,2020).

[Table 2 to be inserted here]

In India, the tax base for levying GST is the consumption of goods and services, except alcoholic liquor for human consumption[2] and petroleum products[3]. The sale of land and complete buildings are also outside the ambit of GST. GST is essentially a value-added tax (VAT), as suppliers are required to remit GST collected from the supply of goods or services (output tax) to the tax authority after deducting the GST paid on purchases (input tax). So, suppliers are entitled to claim an input tax credit (ITC) on their purchases of goods and services against GST payable on the supply of output. There are four slab rates in GST, 5%,12%,18%, and 28%, apart from special low rates of 3% on gems and jewelry and 0.25% on diamonds; and a GST cess levied on demerit goods. The GST rates are equally divided between Central GST (i.e. CGST) and State GST (i.e. SGST). Apart from CGST and SGST, a separate tax integrated GST (IGST) is levied on the inter-state supply of goods or services. IGST is a central or union government tax, the rate of which is the sum of CGST and SGST[4]. The CGST portion of IGST is retained by the union or central government and SGST portion is transferred to the state where goods or services are consumed since GST is a destination-based tax on consumption.

The GST Council governs the tax rates, rules, and regulations. The Chairperson of this council is the union finance minister, and all the state finance ministers are members. The council functions according to the principle of cooperative federalism. A supplier of goods or services is required to get registered under GST if his/her annual aggregate turnover exceeds Rs.2 million (USD26,848)[5] for general category states and Rs. 1 million (USD13,425) for special category states. The GST Council, in its 32nd meeting, gave state governments the option of increasing the threshold limit

[2] State governments levy State Excise Duty (SED) and Value Added Tax (VAT) on producers and sellers of alcohol for human consumption respectively.
[3] State governments levy Value Added Tax (VAT) on the sale of petroleum products.
[4]The Central Goods and Services Tax Act., The State Goods and Services Act., and The Integrated Goods and Services Act. were passed in Parliament in 2017 in order to levy CGST, SGST, and IGST respectively.
[5] The threshold level for GST registration is Rs. 2 million for general category states and Rs.1 million for special category states. Of 28 states in India, 18 are general category states, and 10 are classified as special category states in terms of economic developmental phase.

for registration to Rs.4 million (USD 53,698) for general category states and Rs.2 million for special category states for suppliers of goods only.

In designing a tax policy, policymakers should fix a threshold at a level that balances the tax revenue, the compliance cost of taxation, and the administrative costs of collecting tax revenue (Bird and Gendron, 2007; Zu, 2018). Cleroux (2013) conducted a survey of 25,362 businesses to analyse the compliance cost of GST in Canada. He estimated that in 1991, the cost of collecting the GST was $90 for every $1,000 of goods and services sold for small businesses compared to $1.80 for every $1,000 of goods and services sold for larger firms. So small-business owners were affected more adversely by the introduction of GST in Canada. In the case of Malaysia, the majority of the MSME had to allocate extra funds on human resource training during the early stage of the implementation of GST,which was an additional cost for them (Ramli et al. 2015).

In India, it is observed that, while a quarter of the firms that are registered with the GST Network (GSTN) have turnovers between Rs. 2 million (USD26,848) and Rs.10 million (USD 1,34,257), their share in the government's GST revenue pool is just 5%. In this context, we will discuss the challenges the MSME sector faces in the new GST scenario.

2. CHALLENGES FACED BY THE MSME SECTOR AS A RESULT OF THE GST

In this section, we analyze how certain features of the GST system in India are posing challenges for the MSME sector.

2.1 Composition scheme

If the aggregate turnover of a company in the preceding year does not exceed Rs.15 million (USD2,01,389), the supplier of goods may opt for the composition scheme. Under this scheme, a manufacturer or trader is required to pay tax at a rate of 1% on the value of turnover (i.e., turnover tax). For restaurant service providers, this tax rate is 5%. In the case of GST, a supplier must file electronic tax returns and pay taxes monthly. If a supplier opts for the composition scheme, however, tax returns are filed annually and taxes are paid on a quarterly basis. The aim of this scheme is to reduce the compliance cost of taxation for MSME.

Under this scheme, a supplier is not permitted to collect any tax from the recipient of supplies made by him/her and cannot claim ITC. As a result, the recipient cannot claim any tax credit since the recipient has not paid any GST on the purchases of inputs. Thus, the chain of VAT is lost. Therefore, a supplier who is registered for GST would prefer to procure goods from another registered GST supplier rather than from a supplier who has opted for the composition scheme. As a result, a supplier of goods who has chosen the composition scheme is likely to lose clients if he/she operates in a B2B environment.

The "aggregate turnover" as defined in the CGST Act. (Section 2(6)) includes the value of goods and services that are otherwise exempt from GST (e.g., rent from the residential property). As a result, a supplier of taxable goods to the value of less than Rs.150 million cannot benefit from the composition scheme if the aggregate supply exceeds this threshold level due to the additional value supplied in the form of exempted goods or services. The manufacturers of ice cream and other edible ice, pan masala (i.e., betel mixture), tobacco, and manufactured tobacco substitutes are not entitled to opt for the composition scheme. As a result, many small-scale ice-cream manufacturers who are unable to bear the compliance costs, have either stalled the manufacturing of ice-cream or are procuring finished products from big ice-cream manufacturing brands. Earlier, a small-scale ice-cream manufacturing unit used to pay 0.25% tax on its turnover, but the new GST rate of 18% imposes a huge tax burden on them.

Moreover, a person who has opted for the composition scheme is not permitted to make any inter-state supplies of goods and is not allowed to supply goods through electronic commerce operators. To do so, a supplier is required to register separately in each state where he/she is willing to supply his/her goods. As a result, his/her fixed cost increases significantly as he/she is required to maintain fixed business establishments in each of those states. In Table 3 a comparison in terms of the tax burden between 2016-17 (pre-GST year) and 2018-19 (post-GST year) is shown for a few companies which had the option of availing the composition scheme but went for GST registration[6]. It is observed that the tax burden of these companies increased between 2016-17 and 2018-19.

[Table 3 to be inserted here]

[6] The tax burden is not computed for the year 2017-18 as GST was implemented on July 1, 2017.

2.2 Filing of Returns

The GST system requires suppliers to file their tax returns electronically through the GSTN portal. Initially, each registered supplier was required to file three returns every month and one annual return, amounting to 37 returns in a year, so the compliance cost was very high (Banerjee and Prasad, 2017). There was a built-in provision for matching the invoices of the buyer with that reported by the seller to control tax evasion. But, as more than one crore registered suppliers tried to file their returns, GSTN system failed miserably as it was not geared for such an elaborate exercise. The GST Council had to extend the deadline for filing returns several times, causing confusion among taxpayers and a loss of tax revenue for the government. The GST Council introduced a simple monthly return form GSTR-3B as an interim measure. The provision of invoice-matching was removed, which resulted in widespread tax evasion. Unfortunately, even four years after GST was implemented, the GSTN platform has not yet stabilized. The GST Council has received numerous complaints, including a slowdown in the platform, login errors, automatic logouts, delays in receiving one-time passwords, etc. As a result, the government has been forced to stagger the deadlines for filing returns on the GSTN portal.

So far, all taxpayers have claimed an ITC on a self-declaration basis. In the budget proposals for the year 2021-22, it has been announced that the input tax credit on invoice may be availed by the recipient when the suppliers have furnished details of invoice in the statement of outward supplies. For example, let us suppose that in a particular month, the input tax available as per books is Rs.2,500 (USD 33). Out of this, certain vendors wherein ITC involved say, Rs.1000 (USD13) have not filed their returns (GSTR-1[7]). Now, as per this current rule, the buyer can only avail ITC to the extent of Rs.1500 instead of Rs.2,500. This decision is likely to impact MSME adversely in terms of their cash flows. Larger enterprises are buffered against this effect because they are generally more financially secure than MSME.

In its 28th meeting, the GST Council recommended that business units with turnovers up to Rs.5 crores (USD667,222) will be allowed to file returns on a quarterly basis instead of filing monthly returns. However, the tax payment would be monthly. This ruling affects nearly 93% of taxpayers

[7] Details of invoices issued for supplies by taxable persons other than those registered under the composition scheme.

with annual sales of up to Rs.5 crores who only need to file quarterly returns [8]. An issue arises when MSME taxpayers in this turnover bracket serve as suppliers to large taxpayers. Large taxpayers claim ITC and file their returns on a monthly basis. Large taxpayers are required to wait till the end of the quarter to check whether their MSME suppliers have declared their invoice details on the GST portal. Only then the large taxpayers are entitled to avail the ITC. As a result, large taxpayers often tend to hold back payments to the MSME suppliers creating shortages of working capital for the MSME. Alternatively, large taxpayers pressurize the MSME to change their filing frequency to monthly instead of quarterly, effectively defeating the objective of simplifying the tax return filing process for MSME.

2.3 Tax burden

Prior to the implementation of GST, manufacturers with annual turnovers of less than Rs.15 million (USD 2,01,389) were exempted from Central Excise Duty (CED), but they were required to pay State – VAT[9]. In the GST regime, manufacturers with an annual turnover of more than Rs.4 million are required to pay both CGST and SGST. As a result, small manufacturers face stiff competition from large-scale manufacturers and foreign suppliers of the same product lines. After conducting a survey of 157 MSME, Ghosh (2020) observed while nearly 40% of these MSME did not pay taxes before GST, whereas after the implementation of GST, only 2.5% of these firms are not filing any returns. More than 70% of the surveyed firms reported paying a higher tax than under the former regime. MSME supplying products to unregistered companies had to absorb a higher tax rate, otherwise, these units would lose a significant market share. This resulted in a significant decline in the profitability of MSME from 8% to 1%-2%. As a result, most of the MSME had to cut the wage rates and retrench workers.

It is observed from Table 4 that the tax burden of most of the auto-ancillary manufacturing companies increased between 2016-17 and 2018-19. In the automobile industry, small-scale auto ancillary units supply auto components to the original equipment manufacturers (OEM). Earlier, these were mostly outside the ambit of CED. Under the GST system, they are required to pay tax

[8] *GST-MSME Sector*, Department of Revenue, Ministry of Finance, Government of India.

[9] State- VAT was levied on sales of goods before the implementation of GST. The threshold level for this tax used to vary from state to state. In most of the states, a seller was required to pay VAT, if aggregate sales turnover was more than Rs.4 million (USD53,698).

at the highest slab rate of 28%, causing significant blockage of their working capital. Auto components, being intermediate goods, need not be taxed at the highest rate. Similarly, the tax rate on spare parts for tractors, which are mostly manufactured by MSME, is 18%, whereas the complete tractors are taxed at a rate of 12%. This is known as the problem of "inverted duty structure" when the tax rate on inputs is higher than that of finished products.

[Table 4 to be inserted here]

This problem of an inverted duty structure is also prevalent in the power loom sector, where the input (yarn) is taxed at a rate of 12%, while the output (grey cloth) is taxed at a rate of 5%. As a result, MSME suffer from a cash crunch and blockage of the working capital. As per the CGST Act Section 54(3)(ii) and Rules 89(5), a registered person is entitled to claim a refund in case of an inverted duty structure. But the refund process is slow, and there is no definite timeline for processing refunds. Exports by small businesses are adversely affected by a delay in the refund of GST paid on inputs, which puts pressure on their working capital requirements. The majority of products are taxed at the rate of 18% under GST.MSME, after paying 18% tax, face difficulties in competing with the organized sector as the prices of their products have moved closer to the branded products.

In India, customs duty is levied on the import of goods. Earlier, importers used to pay Countervailing Duty (CVD) and Special Additional Duty (SAD), in addition to the customs duty. An importer who was a manufacturer could claim credit for CVD and SAD, whereas a trader could claim credit for only SAD. After the implementation of GST, CVD and SAD got subsumed into IGST. Both manufacturers and traders are entitled to claim credit of IGST.As a result, all importers, both manufacturers or, traders are treated equally under GST, adversely affecting the "Make in India" initiative of Prime Minister Narendra Modi. Many manufacturing units have closed their operations, causing job losses in the industrial sector.

2.4 E-way bills

After the implementation of GST, a new system of electronic-way bills (E-way bill or EWB) has been introduced to track the inter-state movement of goods electronically, replacing the earlier system of physical verification of goods at the state borders. The EWB is an electronic document (available to the consignor (i.e., supplier) or the consignee (i.e., recipient) or transporter) that is generated on the common GSTN portal showing the movement of goods of consignment value more than Rs. 50000/- (USD 671). As per GST Rule 138, the consignor is required to furnish details of the consignment electronically in Part A of Form EWB-01 on the common portal before the movement of goods commences. The transporter may also raise an EWB after furnishing the vehicle number in Part B of form GST EWB-01. After the generation of the e-way bill, a unique e-way bill number (EBN) is made available to the supplier, the recipient, and the transporter on the common portal. The implementation of EWB has improved the turnaround time of trucks. It has also helped the logistics industry by increasing the average distances traveled as the check-posts at the state borders are removed, reducing travel time and costs.

Small manufacturers and traders find it difficult to understand and follow the procedures for generating e-way bills electronically. Section 129 of the CGST Act. authorizes detention and seizure of goods and conveyances for any contravention of provisions of the Act. or Rules. Goods may only be released on payment of the applicable tax and a penalty as high as 100% of the tax payable.

2.5 Tax terrorism

It is observed that the revenue from GST is not meeting budgetary targets in India (Mukherjee, 2020). As a result, the tax authorities use highhanded methods to recover the amount due to meet their revenue targets. This has created an environment of 'tax terrorism' in the country, which is not conducive to the growth of trade and industry. Under Section 69 of the CGST Act, the Commissioner can authorize any officer of central tax to arrest a person without following due procedure if he/she has reasons to believe that person was involved in wrongdoing such as issuing fake invoices, fraudulent claims of ITC as specified under section 132 of the Act. It has been observed that officers are harassing taxpayers even when there is a minor error or incomplete details in E-Way Bill. The High Court of Madhya Pradesh recently upheld a penalty of Rs. 1.32 crores (USD1,77,226) for not filing Part B of an E-Way Bill, in the case of Gati Kintetsu Express Pvt. Ltd[10]. The Supreme Court of India has recently termed the power of commissioners under the GST law to provisionally attach properties and bank accounts of assesses as "draconian" and

[10] https://www.thehindubusinessline.com/economy/mp-high-court-upholds-penalty-on-gati-for-not-adhering-to-e-way-bill-norms/article24464215.ece

ordered that they have to follow the rule book and pass reasoned orders while exercising such power[11].

The implementation of GST is a landmark tax reform for India. Despite the corrective measures taken by the GST Council from time to time, the MSME sector still faces several challenges in this new system. In the context of the challenges faced by the MSME sector in India in the post-GST era, we make some policy recommendations for the tax system to become more conducive to the growth of the MSME sector in India.

3.POLICY RECOMMENDATIONS

3.1 A person who has opted for the composition scheme is not permitted to make an inter-state outward supply of goods. This is creating a bottleneck for the MSME sector. It is, therefore, recommended that a composition scheme supplier be allowed a certain percentage of turnover for the inter-state supply of goods for the benefit of the MSME sector. Similarly, composition scheme dealers should be allowed to supply their products through e-commerce platforms so that they can tap into the pan-Indian market. Exempt supplies should not be included in the definition of aggregate turnover to determine the threshold limit for registration for GST. It will make the threshold limit of Rs.4 million more appropriate for the MSME sector. Moreover, the threshold limit should be revised periodically in line with the rate of inflation.

3.2 MSME are required to pay GST once they raise invoices, although very often, there is a delay of more than three months in receiving payments from clients. It is, therefore, recommended that MSME be given the option of filing returns based on actual payments received (i.e., cash accounting) instead of an accrual basis. Both the filing of returns and payment of GST should be made on a quarterly basis. While filing returns through the GSTN portal, there is no provision for showing a summary of detailed information filled up before the final submission of the return. Moreover, if any error is noticed after filing the return, there is no mechanism available to correct it. These shortcomings in the tax return filing system need to be addressed urgently. There should

[11] https://timesofindia.indiatimes.com/business/india-business/provisional-attachment-power-under-gst-law-draconian-sc/articleshow/82171856.cms

be a provision of filing returns manually in rural areas where internet connectivity is poor and where the power supply is intermittent.

3.3 There is an urgent need to remove the anomaly of inverted duty structure since it is causing blockage of working capital, hurting a MSME unit more than a large unit. The GST Council may reduce the number of tax rates by merging 12% and 18% to a single rate of 16%. Currently, the tax rate is 5% for 22% of items, 12% for 18% of items, 18% for 47% of items. As a result of this merger, there will be a single rate of 16% for 65% of items. So, there will be three major rates – a lower rate of 5% for essentials items, a higher or standard rate of 16% for non-essential items and the existing 28% for luxury items and demerit goods – which is likely to simplify the tax system. In this process, the Council should ensure that raw materials and other inputs are taxed at lower rates than the finished products. The Council should resolve the problem of an inverted duty structure without further delay.

3.4 As the MSME sector, especially micro and small units, very often face the problem of cash crunch, they may be allowed to retain a percentage of their GST liability due and remit the balance to the tax authority. This is likely to give them some reprieve from their persistent cash flow problem. Alternatively, if an MSME unit is found to be tax compliant for a specified time period, say 5 years, then that unit may be entitled to get a refund of the average of GST paid during this period. Whenever goods are transported between a large manufacturing unit and an MSME unit, the responsibility of generating EWB should be with the large unit to reduce the compliance costs for MSME. Moreover, the threshold value of consignments requiring EWB should be increased from Rs.50,000 (USD665) to Rs.2 lakhs (USD2660) to reduce the compliance burden for MSME. Manufacturers who import raw materials must be given preference over the traders of imported finished goods. Only manufacturers should be allowed to claim IGST credits on the import of raw materials.

4.CONCLUSION

The role of MSME in employment creation makes it a priority for the government to make it easier for them to do business. In this study, we have illustrated several challenges faced by the MSME sector following the implementation of GST in India. Companies are not permitted to make any inter-state supplies of goods and are also not allowed to supply goods through electronic commerce operators if they have opted for the composition scheme. Some of the MSME are not comfortable accessing the GSTN portal for filing returns electronically and they also face difficulties in generating e-way bills electronically. It has been observed that for the sample firms selected for our study, there has been an increase in the tax burden in the post-GST regime. MSME are also suffering from blockage of the working capital due to the problem of inverted duty structure. Some of the penalty provisions in the Act. seem to be draconian in nature.

The government should make it easier for the MSME sector to do business since this sector plays a significant role in generating employment in a labour surplus country like India. As MSME suffer from cash flow problem, they may be given the option of filing returns on receiving actual payments only. The GST Council should resolve the problem of an inverted duty structure at the earliest, and the number of GST rates may be reduced to three from four to simplify the tax system. The GST departments of each state should provide guidance for MSME in conducting training programs free of cost to educate them to access and use the GSTN portal for common transactions such as filing returns, claiming refunds, generating EWBs, etc. The GST department should also set up a help-desk in every state's business center to provide guidance to MSME if they face any issues using the GSTN portal. In the case of Australia, studies (Pope 2001; Ehrich and Billet 2006) have observed that localized support in the form of tax education is critical for small business learning. Given the high potential of the MSME sector for generating employment , the GST Council should make a sincere effort to remove the existing bottlenecks in the new tax system so that the MSME sector can achieve a higher growth trajectory.

Notes

1.Annual Report, 2018-19, Ministry of Micro, Small and Medium Enterprises, Government of India.
2.State governments levy State Excise Duty (SED) and Value Added Tax (VAT) on producers and sellers of alcohol for human consumption respectively.
3.State governments levy Value Added Tax (VAT) on the sale of petroleum products.

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Table 1: Definition of Manufacturing and Service MSME in India

Manufacturing Sector	
Enterprise size class	Investment in Plant and Machinery
Micro Enterprises	Does not exceed Rs.25 lakhs (USD33,679)[12]
Small Enterprises	More than Rs.25 lakhs but less than Rs. 5 crores (USD667,222)[13]
Medium Enterprises	More than Rs.5 crores but less than Rs.10 crores (USD1.3million)
Service Sector	
Enterprise size class	Investment in Equipment
Micro Enterprises	Does not exceed Rs.10 lakhs (USD13,469)
Small Enterprises	More than Rs.10 lakhs but less than Rs.2 crores (USD269 thousand)
Medium Enterprises	More than Rs.2 crores but less than Rs.5 crores (USD667,222)

Source: Annual Report 2018-19, Ministry of Micro, Small and Medium Enterprises, Government of India.

[12] Daily exchange rate as on 28 April 2021. Published by: https://www.xe.com/currencyconverter/convert/?Amount=2%2C500%2C000&From=INR&To=USD
[13] Rs. 1 lakh means Rs.1,00,000 and Rs.1 crore means Rs.10 million.

Table 2: Old and new definitions of MSME

MSME Sector	Old Definition		New Definition	
	Manufacturing	Service	Investment	Turnover
Micro	25 Lakh	10 Lakh	1 Crore	5 Crores
Small	5 Crores	2 Crores	10 Crores	50 Crores
Medium	10 Crores	5 Crores	50 Crores	250 Crores

Note: As per new definition, an enterprise qualifies as MSME only if it satisfies both the criteria.

Source: Nagaraj and Vaibhav (2020)

Table 3: Tax Burden of Companies

		2016-17 (Pre-GST year)			2018-19 (Post-GST year)			
		Revenue	Total Indirect Tax* (TIT)	Share of TIT in Revenue	Revenue	GST	Share of GST in Revenue	
Name of Company	Product /service Type	Rs. Million	Rs. Million	Percentage	Rs. Million	Rs. Million	Percentage	Tax burden
Manufacturing Sector (Revenue of company is less than Rs.15 million)								
Hello Publications Pvt. Ltd.	Printing of magazines, periodicals etc.	6.3	0.2	3.17	3.7	0.3	8.11	Increased
Karnataka Compost Devp. Corpn. Ltd.	Fertilisers	5.8	Nil	Nil	6.6	1.9	28.78	Increased
Saple'S Scales (India) Pvt. Ltd.	Electronics	1.4	0.1	7.14	5.4	0.4	7.41	Increased
Shivshakti Cement Pipe Inds. Pvt. Ltd.	Cement pipes	5.1	Nil	Nil	5.3	0.1	1.88	Increased
Sri Vajra Granites Ltd.	Granites	7.4	0.2	2.70	0.8	0.1	12.5	Increased
Subhag Engineers Pvt. Ltd.	Pumps	8.4	Nil	Nil	6.6	0.2	3.03	Increased
Service Sector (Revenue of company is less than Rs. 5 million)								
Intellivate Capital Advisors Ltd.	Financial consultancy	1.5	Nil	Nil	4.7	0.6	12.76	Increased
Komaf Financial Services Pvt. Ltd.	Securities Investment	1.8	Nil	Nil	2.8	0.9	32.14	Increased

Laxmi Cotex Pvt. Ltd.	Renting	1.9	Nil	Nil	3.4	0.2	5.88	Increased
Lynx Machinery & Commercials Ltd.	Commission agents	1.6	Nil	Nil	2.3	0.2	8.70	Increased
Sibar Media & Entertainment Ltd.	Recreational	3.5	Nil	Nil	1.7	0.4	23.53	Increased
Vaj Marketing & Invsts. Pvt. Ltd.	Wholesale trade	1.4	0.2	14.28	0.3	0.1	33.33	Increased

Note : *Total Indirect Tax (TIT) includes Central Excise Duty, State-VAT and Service Tax

Source : Computed from Prowess database[14].

[14] Prowess is (Centre for Monitoring Indian Economy) CMIE's database on performances of listed and unlisted companies.

Table 4: Tax burden of MSME in the auto – ancillary Sector

		2016-17 (Pre-GST year)			2018-19 (Post-GST year)			
		Revenue	Total Indirect Tax* (TIT)	Share of TIT in Revenue	Revenue	GST	Share of GST in Revenue	
Name of Company	Product /service Type	Rs. Million	Rs. Million	Percentage	Rs. Million	Rs. Million	Percentage	Tax burden
Armaax Auto Pvt. Ltd.	Automobile Ancilliaries	111.8	Nil	Nil	114.2	17.5	15.32	Increased
Dekson Castings Ltd.	Automobile Ancilliaries	390.6	77.9	19.94	477.8	33.5	7.01	Decreased
Dolfin Rubbers Ltd.	Tyres & Tubes	485.8	55.6	11.44	825.8	124.9	15.12	Increased
Elan Auto India Ltd.	Auto sheet metal parts	316.9	36.3	11.45	581.9	122.2	21	Increased
Emdet Engineers Pvt. Ltd.	Steering wheels	527.6	57.6	10.92	729.4	152	20.84	Increased
Filteration Engineers (India) Pvt. Ltd.	Filter elements	169.2	10.8	6.38	208.2	30	14.41	Increased
Frontier Springs Ltd.	Leaf springs (Automotive)	521.9	55.8	10.69	962.4	124.8	12.96	Increased
Magnus Steels Pvt. Ltd.	Automobile Ancilliaries	185.6	20.7	11.15	269.7	45.8	16.98	Increased
Marathwada Auto Cluster Co.	Automobile Ancilliaries	56.2	2.4	4.27	322.1	58.4	18.13	Increased
Miter & Miter Engineers Pvt. Ltd.	Steering wheels	275.3	Nil	Nil	381.8	77.8	20.38	Increased

Pragati Coatings Pvt. Ltd.	Automobile Ancilliaries	346.3	39.3	11.34	457.3	88.5	19.35	Increased
Radheya Machining Ltd.	Automobile Ancilliaries	1194.7	182.5	15.27	1569.2	270.2	17.22	Increased
S T S Manufacturing Pvt. Ltd.	Automobile Ancilliaries	469	49.9	10.64	997.9	197.5	19.79	Increased
Sri Eswari Auto Components Pvt. Ltd.	Automobile Ancilliaries	122.5	Nil	Nil	229	46.3	20.22	Increased
Standard Radiators Pvt. Ltd.	Radiators	771.5	64.4	8.34	1058.7	0.8	0.08	Decreased
Traya Murti Engg. Pvt. Ltd.	Automobile bodies	493.5	53.4	10.82	1007	208.1	20.66	Increased

Note : *Total Indirect Tax (TIT) includes Central Excise Duty, State-VAT and Service Tax

Source : Computed from Prowess database.