

## **IMPACT OF RECENT GST AMENDMENTS ON THE GROWTH AND COMPLIANCE BURDEN OF SMALL BUSINESSES IN INDIA**

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### **ABSTRACT**

The Goods and Service Tax (GST) regime in India aimed to unify the country's indirect taxation and enhance ease of doing business. While GST brought uniformity, small businesses have experienced a mix of benefits and burdens. With multiple amendments introduced between 2021 and 2025, such as e- invoicing, QRMP scheme, and revised threshold for registration, the compliance landscape for small businesses has significantly evolved. This article analysis recent GST amendments and their implications on MSME's operations, financial health, and competitiveness. It also explores the challenges in digital compliance and policy uncertainty , while offering suggestions to reduce the compliance burden for small entrepreneurs.

**KEYWORDS:** GST, MSME'S, QRMP, e- Invoicing, Compliance burden, Small Businesses, Tax ReformS

### **INTRODUCTION**

The Goods and Service Tax (GST) launched in 2017, was hailed as India's most significant indirect tax reform. It consolidated multiple state and central taxes into a single, unified system. While large businesses with dedicated tax teams adapted swiftly, small businesses- especially MSME's- struggled with the evolving legal, technical, and procedural complexities.

The Government, recognizing these issues, introduced several amendments from 2021 onwards to improve the efficiency, transparency and compliance of the system. However, many of these changes have had unintended consequences, particularly for small enterprises with limited resources and technological infrastructure. This paper critically assesses these amendments and their implications for small business growth and sustainability.

### **DISCUSSION**

#### **1. Overview of key GST Amendments Affecting Small Businesses (2021 – 2025)**

- **QRMP Scheme( Quaeterly Return Monthly Payment) (2021):**

This scheme allows businesses with turnover up to Rs 5 Crore to file GSTR-3B quarterly while paying taxes monthly. It aims to reduce the compliance load by decreasing the frequency of returns.

- **Mandatory e-Invoicing (2022-24):**

E- Invoicing was gradually extended to businesses with turnover above Rs 10 Crore (2022), Rs.5 Crore (2023), and Rs.1Crore (2024). This mandates digital generation and reporting of invoices to the GST portal.

- **GSTR-9 and 9C Threshold Revisions (2022):**

Annual return (GSTR-9) and audit (GSTR-9C) requirements were eased for businesses under RS. 5 crore turnover, eliminating the need for certified audits.

- **Section 16 (4) Amendments (2023):**

Restrictions were introduced on availing Input Tax Credit (ITC) after a specific time limit, tightening compliance and reducing claim periods for businesses.

- **Increased Scrutiny via GSTN (2023-25):**

The GSTN (Goods and Service Tax Network) introduced AI based tracking to detect tax evasion, impacting small firms prone to procedural errors.

## 2. POSITIVE IMPACT ON SMALL BUSINESSES.

- **Compliance Simplification through QRMP**

QRMP has significantly reduced the burden of monthly filings and allowed businesses to focus more on operation. It also improves cash flows by allowing optional invoice wise payments.

- **Reduction In Audit Requirements**

Eliminating the mandatory audit for entities below Rs.5 crore turnover reduces dependence on tax professionals and lower compliance cost.

- **Increased Transparency**

E-invoicing and digital compliance system reduces fraud, improve credit flow and bring discipline to record keeping –benefiting organized small businesses.

## 3. CHALLENGES FACED BY SMALL BUSINESSES DUE TO GST AMENDMENTS

- **Digital Divide and Lack Of Infrastructure**

Many small businesses operate in semi urban or rural areas where digital literacy is limited. E-invoicing and E-filing requirements create operational delays and errors.

- **Cost of Compliance Still High**

Despite QRMP, many small firms need to hire professionals for GST filings, especially when dealing with Input Tax Credit mismatch, reverse charge, and reconciliations.

- **Technical Glitches in GST Portal**

System errors, downtime, and rejection of invoices during submission lead to confusion and penalties, especially around due dates.

- **Uncertainty Due to Frequent Amendments**

A constant change in rules makes it hard for small businesses to keep up, creating a climate of regulatory uncertainty.

#### 4. Sector Wise Impact on Small Businesses

- **Retail and Wholesale Traders**

Small traders have faced disruptions due to changes in ITC rules and e-way bill requirements. E-invoicing was particularly difficult for traditional traders using manual billing system.

- **Service Providers (Freelancer, Consultants)**

Many individual service providers had to register under GST due to reduced threshold, increasing their paper work and cost of compliance.

- **Manufacturing MSMEs**

While large manufacturers benefited from seamless credit chains, small manufacturers often deal with unregistered suppliers and face blockage in ITC claims.

#### FINDINGS AND SUGGESTIONS

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- QRM and audit threshold revisions have helped small firms reduce filing burden.
- Mandatory e-invoicing has increased transparency but also technological strain.
- GST amendments have created both opportunities and administrative challenges.

##### SUGGESTIONS

- Dedicated GST helpline for MSMEs: Provide real time support system to address portal and filing issues,
- Financial support to digital tools: Subsidies or low cost access to billing and accounting software.
- Training programmes in regional languages: Government and industry bodies should offer free training on compliance.
- Stable policy environment: Limit the frequency of amendments or offer longer transition periods.
- Simplified input tax credit matching: Auto matching systems should be made more user friendly for small firms.

#### CONCLUSION

The GST regime continues to evolve, and with it, the responsibilities of small businesses in India. While the government's intent to simplify and modernize tax compliance is clear, the pace and complexity of changes have placed a disproportionate burden on MSMEs. For GST to truly be a "Good and Simple Tax", reforms must be inclusive, predictable, and tailored to the capacities of small enterprises. A supportive ecosystem with digital tools, education and minimal bureaucracy can help MSMEs thrive in GST era.

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