
THE IMPACT OF VALUE ADDED TAX (VAT) ON SMALL AND MEDIUM SIZED ENTERPRISES

By- Pooja Varshini. S¹

ABSTRACT

India's indirect tax system has undergone a significant transformation, moving from Value Added Tax (VAT) to the Goods and Services Tax (GST) in 2017. This shift aimed to streamline the complex, multi-tiered tax structure and to support economic growth. While VAT, gradually introduced across states from 2003 to 2008, offered advantages like input tax credits and simplified rates over the previous fragmented sales tax, GST ultimately replaced it, establishing a more combined, destination-based framework. Despite GST's overall benefits, including the elimination of cascading taxes and facilitation of seamless interstate trade, Small and Medium Enterprises (SMEs) continue to address the substantial challenges. This paper explores these pitfalls, which includes expanded compliance burdens, demanding digital filing requirements, and frequent rule adjustments that strain limited SME resources. Many SMEs face significant cash flow issues due to delayed input tax credit (ITC) refunds and the necessity to transfer taxes on sales before receiving customer payments. The determined digital divide and lack of technical expertise further exacerbate these challenges, especially for smaller businesses in rural regions. The long-term prospects for SMEs under GST remain positive, fostering formalization, enhancing financial discipline, and improving access to credit. Government initiatives, such as expanded credit guarantee covers and simplified schemes for smaller businesses, are designed to reduce the initial burdens and stimulate growth. This paper highlights India's dedication to supporting its MSME sector, a crucial contributor to GDP and exports, which is clear in ongoing policy considerations

¹Intern, Lex Lumen Research Journal.

like potential GST slab rationalization and accelerated refund processes. The success of this transition turns on continuous policy refinement, technological advancements, and strong support mechanisms, ensuring SMEs can fully support a harmonized tax environment and contribute effectively to India's economic strategy.

KEYWORDS: Value Added Tax (VAT), Goods and Services (GST), Small and Medium Enterprises (SMEs), Input Tax Credit (ITC), Tax Compliance and Cashflow

INTRODUCTION

Value Added Tax (VAT) is a consumption tax imposed on goods and services at each stage of the supply chain where value is added, from production to the point of sale. Its implementation is a significant aspect of a country's economic policy, impacting revenue generation, business operations, and international trade alignment. Understanding the framework of VAT is crucial for perceiving its effects on both a macroeconomic and microeconomic level, particularly for small and medium-sized enterprises (SMEs) which form the backbone of many economies. This analysis will provide a comprehensive overview of the Value Added Tax system. It will begin by defining VAT and detailing its implementation in India, a process that marked a significant shift from the previous sales tax authority. This will explore the dual nature of this tax by examining its advantages, such as increased transparency and reduced tax cascading, alongside its disadvantages, including its regressive impact on lower income individuals. Subsequently, it will analyse into the various methods employed to collect VAT from SMEs, comparing their administrative and financial implications. The discussion will then focus on the specific impacts of VAT on SMEs, covering the challenges of increased costs and compliance burdens, as well as potential benefits like improved financial discipline. Finally, the analysis will address the transition from VAT to the Goods and Services Tax (GST) in India, outlining the evolution of the indirect tax system and its consequences for the SME sector.

DEFINITION OF VALUE ADDED TAX (VAT)

Value-added tax (VAT) is a kind of tax charged on goods and services every time value is added right from making the product to selling it to the customer. It's applied when raw materials are processed or when items are packaged or assembled and finally, when sold to consumers.

But people don't get taxed multiple times. Businesses subtract the tax they've already paid on materials before charging the next stage, so each layer of production gets taxed only on the new value added. Not every country uses VAT. For example, the United States uses a sales tax instead, which is usually charged just at the final sale.

INTRODUCTION OF VALUE ADDED TAX (VAT) IN INDIA

Value-Added Tax (VAT) was considered one of the boldest changes for India's economy. Though it faced political delays, some states gradually adopted it. Haryana started in 2003, and Uttar Pradesh was the last to shift from Sales Tax to VAT in 2008.

The idea of VAT was publicly shared in a major meeting of state leaders in November 1999. Leaders planned to introduce it by April 2002, but it was postponed due to unstable politics and lack of momentum.

Even though some traders and politicians opposed VAT, there was growing support for its implementation. Under VAT, the state where the consumer lives collects the tax, since it is based on consumer spending. VAT has already been adopted by over 120 countries. India, however, was slow to act and continued with a simpler system that taxed sales at either the beginning or the end. VAT changes that by taxing goods in multiple steps throughout their journey. When goods are imported into a state, the first seller pays initial tax. The next seller pays tax only on the portion of value they added making the total tax equal to what would have been collected at the end, but spread more fairly. VAT makes it harder for traders to dodge taxes. To obey, they mandatory to

maintain detailed records of purchases and sales. Many believe traders often evaded taxes before, and VAT reduces those chances².

Under VAT, every stage of production is taxed no one gets special exemptions. But businesses can reclaim taxes they have already paid on inputs, ensuring they are not taxed twice for the same value. Industry watchers VAT can support India's economic strategy by boosting revenue and lowering the budget loss. If done right, it can help the government manage its spending more effectively³. Adopting VAT helps India match international standards, making it easier to participate in global trade and cooperate under organizations like the World Trade Organization.

ADVANTAGES AND DISADVANTAGES OF VALUE ADDED TAX (VAT)

Advantages of Value added Tax

Under the Central Sales Tax (CST) Act, multiple tax rates (ranging from 1% to 25%) created complexity and frequent litigation over classification of goods. The Value Added Tax (VAT) system streamlined this by introducing two primary rates 4% for declared (essential) goods and 10–12% for goods under the Revenue Neutral Rate (RNR)⁴. This simplification reduced interpretational disputes and enhanced predictability in tax administration.

CST levied tax either at the first point of sale or the last point, depending on the nature of the transaction. This ambiguity often led to litigation regarding the applicable stage of taxation. In contrast, VAT adopted a multi-point taxation model, levying tax at each stage of sale or purchase. This approach eliminated uncertainty and aligned with global best practices in consumption-based

² **Implementation of Value Added Tax (VAT) in India: An Overview*** <https://epwrf.in/includefiles/c10552.htm>

³ **A Detailed Guide to VAT** (September, 2024) <https://jupiter.money/blog/value-added-tax-vat/>

⁴ **Value Added tax: Key features, Mechanics, Advantages** <https://www.5paisa.com/finschool/value-added-tax-vat/> (June, 2024)

taxation. CST allowed limited tax adjustment, conditional upon the goods being manufactured or sold. This restricted the scope of credit utilization and increased compliance burdens.

VAT introduced a comprehensive input tax credit (ITC) system, enabling businesses to offset taxes paid on inputs against their output tax liability. This mechanism reduced cascading effects, encouraged accurate invoicing, Improved transparency and compliance. CST lacked robust provisions for refunds or carry-forward of excess tax, except in specific cases like exports or sales to registered dealers. This led to inefficiencies and capital lock-in. VAT addressed this by allowing refunds for excess input credit and carry forward of unused credit to subsequent periods. Such provisions enhanced liquidity and reduced tax-induced distortions in business operations⁵.

Disadvantages Of Value Added Tax

Taxing earnings can discourage individuals from increasing their income. In contrast, implementing a tax on spending may promote saving behavior, as savings would be exempt from taxation. However, a significant reduction in consumer spending could lead to recessionary consequences for the economy. Advocates of progressive taxation where individuals pay more tax as their income rises frequently oppose the VAT due to its inherently regressive structure. Typically, individuals with lower incomes tend to spend most of their earnings rather than saving them. As a result, a greater percentage of their income would be subject to VAT compared to high income earners⁶.

To offset the regressive aspects of the VAT, policymakers may revise the selection of items subject to this tax. For instance, exempting essential expenses such as energy or rent could reduce its burden on economically disadvantaged groups. Ireland provides an example by excluding food, medicine, and children's clothing from VAT. Nonetheless, the process of identifying which goods and services should be taxed can be complex and often becomes entangled in political debates.

⁵ What is value added tax? <https://www.indeed.com/career-advice/career-development/vat> (March, 2025)

⁶ Merits and Demerits of VAT <https://www.teachoo.com/562/173/Merits-and-Demerits-of-VAT/category/Basics-of-Vat/> (December, 2024)

VAT, when considered independently, does not guarantee an increase or decrease in overall tax revenue⁷. Its fiscal impact is contingent upon the specifics of its application. In European countries, the adoption of VAT occurred alongside the continued enforcement of income taxes, resulting in a substantial rise in both income tax obligations and consumer costs. If VAT is introduced without repealing the income tax, a similar outcome could emerge domestically.

METHODS OF COLLECTING VAT ON SMALL AND MEDIUM SIZED ENTERPRISES

Value Added Tax (VAT) is a multi-stage consumption tax charged on the value added at each point in the supply chain, from manufacture or import through to final retail. Collecting VAT from small and medium enterprises (SMEs) requires balancing revenue needs with administrative simplicity and cash-flow considerations.

1. Invoice-Based (Credit-Invoice) Method

Each VAT-registered business issues invoices showing output VAT charged on its sales and input VAT paid on its purchases. Firms calculate net VAT owed by subtracting total input VAT from total output VAT for each reporting period. Standard method in most jurisdictions and underpins input tax credit mechanisms⁸.

2. Accounts-Based (Subtraction) Method

VAT liability equals the difference between total turnover and allowable purchases in the period. No separate VAT mark-up on each invoice; instead, businesses compute a single net figure from accounting records. Simpler invoicing but requires robust record-keeping of eligible inputs and outputs⁹.

⁷ **Disadvantages of VAT** <https://www.mbaknol.com/business-taxation/disadvantages-of-value-added-tax-vat/>

⁸ **How would a VAT be Collected?(January, 2024)** <https://taxpolicycenter.org/briefing-book/how-would-vat-be-collected>

⁹ **Methods of Computation of VAT, (July, 2012)** <https://accountsknowledgehub.in/methods-of-computation-of-vat/>

3. Cash-Basis Schemes

VAT is accounted for only when cash is received or paid, not when invoices are issued. Eases cash-flow strains for SMEs by deferring VAT payment until customers actually pay. Often optional for SMEs whose turnover falls below a set threshold.

4. Flat-Rate (Presumptive) Schemes

SMEs pay VAT at a fixed percentage of their turnover, regardless of the actual VAT incurred on purchases. Theyaa relinquish detailed input VAT recovery in exchange for a simplified calculation and fewer records. Eligibility usually limited to businesses below a specified annual turnover.

5. Annual Accounting Schemes

Instead of quarterly or monthly returns, VAT is calculated once a year. Interim payments (“payments on account”) may be made to spread cash-flow impact. Reduces the number of filings but requires an end-of-year reconciliation.

6. Margin and Special Schemes

Margin Scheme: VAT is charged on the difference between purchase and resale price of second-hand goods, art, antiques, etc.

Reverse-Charge Mechanism: The customer, rather than the supplier, accounts for VAT on certain cross-border services or where suppliers are unregistered.

7. Digital and Real-Time Collection

E-Invoicing: In some countries, tax authorities require real-time submission of VAT invoices to a central portal. One-Stop-Shop (OSS): For digital services to consumers in multiple member states, a single electronic return covers all VAT liabilities.

COMPARISON OF KEY COLLECTION METHODS

Method	Net VAT calculation	Input Tax Recovery	Filing Frequency	Administrative Burden
Invoice- Based	Output VAT – Input VAT	Full	Monthly/Quarterly	High
Accounts- Based	Turnover – Allowable Purchases	Full	Monthly/Quarterly	Medium
Cash-Basis	Based on cash received/paid	Full (when paid)	Monthly/Quarterly	Medium
Flat- Rate	Flat % of Turnover	None	Monthly/Quarterly	Low
Annual Accounting	Annual net VAT, with interim payments	Full	Annual (plus interim)	Low
Margin Scheme	VAT on margin (sale price minus purchase price)	N/A	As per invoicing	Medium
Reverse Charge	Customer accounts for VAT	N/A	Monthly/Quarterly	Medium

Choosing the Right Scheme for an SME: -

1. Assess annual turnover against local VAT thresholds.
2. Compare cash-flow impact of immediate versus deferred VAT payment.
3. Evaluate record-keeping capacity and software needs.

4. Consider complexity: flat-rate and annual schemes reduce filings.

5. Factor in industry-specific rules (e.g., margin schemes for second-hand goods).

By understanding and selecting the most appropriate VAT collection method, SMEs can maintain compliance, optimize cash flow, and minimize administrative costs.

CASE LAWS

In the case of **Cineplex india pvt ltd v state of Karnataka (2012)**¹⁰, the issue under was that VAT is leviable on sale of used equipments by service provider in Karnataka.

As per Section 3(1) of KVAT Act, 2003, the tax shall be imposed on every sale of goods in the state by a registered dealer or a dealer liable to be registered, according to the provisions of the Act.

Under Section 2(15) of the Kerala Value Added Tax (KVAT) Act, "goods" are defined as almost any type of movable property that can be transferred or sold, excluding newspapers, actionable legal claims, stocks, shares, and financial securities. The definition includes livestock; all materials, commodities, and articles involved in executing a works contract; goods used for improving, repairing, or outfitting movable property; and even growing crops, grass, or anything attached to land that is agreed to be severed prior to sale. A person dealing with such goods may be legally obligated to register under the Act if they meet certain conditions, such as achieving a turnover above the threshold specified in the law. Essentially, the section helps determine what types of goods are taxable and who must be registered to comply with VAT regulations.

In simpler terms, the word "sale" under Section 2(29) of the Kerala Value Added Tax (KVAT) Act refers to any situation where goods are transferred from one person to another as part of a business activity. This transfer must involve some form of payment or exchange that has value. It

¹⁰ **Cineplex india pvt ltd v state of Karnataka(2012)** <https://ishwarandgopal.wordpress.com/2016/01/01/vat-on-sale-of-used-fixed-assets-in-karnataka/> (January, 2016)

could be immediate cash, a promise to pay later, or anything else that is considered valuable. The definition also includes different ways the word "sale" might be used grammatically such as "sold" or "selling" and ensures all those variations are covered within the legal meaning of a sale.

Under Section 2(6) of the KVAT Act, Business includes that any trade, commerce, manufacture or any adventure or concern in the nature of trade, commerce or manufacture, whether or not such trade, commerce, manufacture, adventure or concern is carried on in furtherance of gain or profit and whether or not any gain or profit accrues therefrom; and any transaction in connection with, or incidental or ancillary to, such trade, commerce, manufacture, adventure or concern.

As per clause (b) to Section 2(12) of the KVAT Act, Dealer includes a casual dealer, a person who has, whether as principal, agent or in any other capacity, A person or business that sometimes buys or sells goods in the State whether they pay upfront, later, or earn through commission or fees.

From the above explanation, it is clear states that tax shall be levied on transfer of property in all kinds of movable goods by one person to another in the course of trade or business for valuable consideration. The definition of "Dealer" includes casual dealer who carries on occasional transactions of a business nature involving the buying, selling of goods. Any activity that supports or relates to the main business, even if it's not the primary focus is still considered part of the business under the law.

Therefore, the dealers are liable to discharge VAT on sale of fixed assets even though the dealer is not dealing in purchase and sale of the assets in the course of his business.

In **State of Orissa v. Orissa Road Transport Co. Ltd.** 107 STC 204, 1997 AIR SCW 3489¹¹, it was held that State transport undertaking is liable to tax on sale of its unserviceable, old and obsolete parts.

¹¹ **Sale, Goods and Dealer** <https://shubhamconsultants.wordpress.com/knowledge-center/taxation/central-sales-tax/sale-goods-and-dealer/>

In **State of Tamil Nadu v. Burmah Shell Oil Co AIR (1973)**, it was held that when a company sold leftover scrap and promotional materials even at cost price it was still part of its business activities. So, the income from these sales was subject to VAT (taxable turnover), because these transactions were connected to the company's core operations¹².

Sale of old machinery and scrap by manufacturer Sale of old unserviceable machinery and scrap by manufacturer is incidental to his business **State of Orissa v. Steel Authority of India Ltd (2011)**¹³.

In **State of Tamilnadu v. Binny Ltd. (1982)**¹⁴, even if the store was not profit driven, it operated within the company's broader business ecosystem, and so the law treats its transactions as taxable. Sale of pledged goods by Bank is in the course of banking business, **Federal Bank Ltd. v. State of Kerala (2007)**.

Hon'ble High Court of Karnataka in the case of **cineplex india pvt ltd vs state of Karnataka (2012)**, wherein it was held that sale of used/discarded Metal detectors, water coolers and lockers by assessee engaged in business of sale of food articles, snacks and beverages is one time sale of discarded goods. The assessee is not a dealer in these goods and hence not liable to tax on sale of such discarded goods.

The High Court has placed reliance on its own decision in case of **Kwality Biscuits Private Limited V. State of Karnataka (2012)**¹⁵. In this case, the taxpayer and dealer were involved in the manufacture and sale of biscuits, confectionery etc. It entered into an agreement with Britannia for transfer of business wherein the entire assets and liabilities were transferred to

¹² **State of TamilNadu v. Burmah shell oil co. AIR (1973)** <https://www.legalauthority.in/judgment/state-of-tamil-nadu-vs-m-s-burmah-shell-oil-storage-distributingco-of-india-ltd-34126> (October 1972)

¹³ **State of Orissa vs steel authority of India Ltd (2011)** https://api.sci.gov.in/supremecourt/1999/9012/9012_1999_1_1501_54884_judgement_14-Aug-2024 (August, 2024)

¹⁴ **State of Tamilnadu v. Binny Ltd .(1982)** <https://indiankanoon.org/doc/177909>

¹⁵ **Kwality Biscuits Private limited V. State of Karnataka(2012)**<https://ishwarandgopal.wordpress.com/2016/01/01/vat-on-sale-of-used-fixed-assets-in-karnataka/> (January, 2016)

Britannia including the movables, immovables, goodwill, IPR etc. The Deputy Commissioner proposed to levy sales tax under the Karnataka Sales Tax Act, 1957 on the sale of IPR owned by the tax-payer. The transfer of IPR like a sale of goods or services, which is subject to tax under sales tax law. The taxpayer filed an appeal before the Joint Commissioner (Appeals) and subsequently, Karnataka Appellate Tribunal wherein the order of the assessing authority was confirmed. As a result, a writ petition was submitted to the Karnataka High Court, and the Court cancelled the earlier decision made by the Tribunal.

The High Court held that the sale of IPR was not in the course of business of the tax payer. In the case of **State of Gujarat vs. Raipur Manufacturing Co. Ltd (1967)**¹⁶, the court held that if a person or company sells some goods, but selling those particular goods is not part of their regular business then the money earned from that sale (called turnover) shouldn't be counted toward their total business turnover for tax purposes.

The High Court also held that during the course of business” postulates a continuous exercise of an activity. The phrase “carrying on business” means more than just occasionally selling or buying things, it suggests a regular, organized activity with continuity and intention to earn income. The object of the person who carries on the activity is important to attract the levy of sales tax.

As above states that hon'ble High Court in the case of Cineplex India Pvt Ltd v. State of Karnataka has relied on its own decision in case of Kwaliti Biscuits Private Limited V. State of Karnataka(2012), here we observed that in the case of Kwaliti Biscuits Private Limited V. State of Karnataka, the issue was the VAT is imposable on transfer of business as a whole, that is transfer of entire assets and liabilities to Britannia.

¹⁶ **State of Gujarat vs. Raipur Manufacturing Co. Ltd (1967)**
[http://14.139.60.116:8080/jspui/bitstream/123456789/3574/1/011_1988_Law%20of%20Sales%20Tax](http://14.139.60.116:8080/jspui/bitstream/123456789/3574/1/011_1988_Law%20of%20Sales%20Tax_(December,1975))
(December, 1975)

Under Rule 3(2)(g) of the Karnataka VAT Rules, when calculating the taxable turnover, a dealer is allowed to subtract the entire amount received from selling their whole business from their total turnover.

Hence, if it is transfer of the entire business or division as a whole, there is no VAT liability on such transfer as stated above, provided non competence clause is mentioned in the business transfer agreement with the intention of not continuing the same business in the transferor Company.

THE IMPACT OF VAT ON SMALL AND MEDIUM SIZED ENTERPRISES

Increased Cost

VAT often leads to a rise in operational costs for SMEs, especially those with limited pricing flexibility. Since VAT is imposed at each stage of the supply chain, businesses must pay tax on inputs such as raw materials, services, and equipment. While input tax credits are designed to neutralise this, delays in claiming refunds or restrictions on eligibility can result in higher net costs. Moreover, SMEs operating in price-sensitive markets may hesitate to pass these costs onto consumers, fearing loss of competitiveness. This forces them to absorb the tax burden, which compresses profit margins. Sector specific dynamics also play a role for example, low margin industries like textiles or food processing are disproportionately affected, as even minor cost increases can destabilize their financial viability.

Compliance Burden

VAT compliance introduces a significant administrative load, particularly for SMEs with limited financial and human resources. Businesses are required to maintain particular records of purchases, sales, and tax filings, often requiring investment in accounting software or professional services. Filing periodic returns monthly, quarterly, or annually depending on jurisdiction demands accuracy and timeliness, with penalties for errors or delays. In countries with multi-tiered VAT systems, such as India before GST, navigating different state level rules added further complexity. SMEs also face challenges in understanding nuanced provisions like reverse charge mechanisms

or exemptions, which can lead to inadvertent non-compliance. Studies have shown that SMEs spend disproportionately more time and money on VAT related tasks compared to larger firms, diverting attention from core business activities¹⁷.

Cashflow Impact

VAT can strain the liquidity of SMEs, especially those operating on tight working capital. One of the most pressing issues is the timing mismatch: businesses must remit VAT on sales even before receiving payment from customers. This creates a cash crunch, particularly for firms with long receivable cycles. Additionally, input tax credits or refunds may be delayed due to official processes or invoice mismatches, locking up funds that could otherwise be used for operations or growth. SMEs dealing with seasonal records also face upfront VAT costs on unsold stock, further tightening cash flow¹⁸. In some cases, businesses resort to short-term borrowing to meet tax obligations, increasing financial risk and interest costs.

Potential Benefits

Despite its challenges, VAT offers several long-term advantages for SMEs. The input tax credit mechanism helps reduce the cumulative tax burden by allowing businesses to offset taxes paid on inputs against output tax. This encourages better bookkeeping and financial discipline, which can improve access to credit and investor confidence. VAT also promotes formalization, asserting the playing field by reducing tax evasion and informal competition. For SMEs aiming to scale, VAT compliance can be a prerequisite for partnerships with larger firms or eligibility for government contracts. Moreover, VAT systems are widely adopted globally, so understanding and managing VAT can facilitate smoother entry into international markets. In essence, while VAT may be burdensome initially, it can promote operational maturity and market expansion over time.

¹⁷ **Understanding the Impact of VAT on businesses and consumers (January, 2025)**

<https://apexaccountants.tax/understanding-the-impact-of-vat-on-businesses-and-consumers/?citationMarker>

¹⁸ **Impact of VAT on small and medium enterprises** https://www.csirs.org.in/uploads/paper_pdf/the-impact-of-vat-on-small-and-medium-enterprises.pdf (January, 2024)

Transition to GST

India's transition from VAT to the Goods and Services Tax (GST) in 2017 marked a paradigm shift in indirect taxation. GST unified multiple levies including VAT, service tax, and excise duty into a single, destination-based tax system. For SMEs, this brought both relief and new challenges. On the positive side, GST eliminated the cascading effect of taxes, enabled seamless input credit across state borders, and simplified inter state trade. Digital filing through the GST Network (GSTN) reduced paperwork and improved transparency. Threshold exemptions were raised, and composition schemes introduced for small businesses allowed simplified returns and lower tax rates. However, the transition was not without friction: frequent rule changes, technical glitches on the GST portal, and invoice matching complexities created confusion. SMEs had to invest in technology and training to adapt, and many struggled with the shift from manual to digital compliance. Over time, though, GST has helped formalize the SME sector and integrate it more deeply into the national economy¹⁹.

CONCLUSION

The transition from VAT to GST in India aimed to simplify the tax system and boost economic growth. While GST brought benefits like eliminating cascading taxes and streamlining interstate trade, SMEs continue to face significant challenges. These include increased compliance burdens, complex digital filing requirements, and frequent rule changes, which strain their limited resources. Cash flow issues arise from delayed input tax credit (ITC) refunds and the need to pay taxes before customer payments are received. The digital divide and lack of technical expertise further compound these problems for smaller, rural businesses. Despite these pitfalls, GST offers long-term advantages for SMEs, such as formalization, improved financial discipline, and better

¹⁹ Impact of GST on small and medium sized enterprises <https://www.taxtmi.com/article/detailed?id=13253> (December, 2024)

access to credit. Government initiatives are in place to support the MSME sector, a vital contributor to India's GDP and exports. Continued policy refinement, technological advancements, and strong support mechanisms are crucial for success. Simplifying compliance, accelerating ITC refunds, and bridging the digital divide through training and infrastructure are essential steps to ensure SMEs can fully thrive in this harmonized tax environment and contribute effectively to India's economic strategy.

