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Recent Changes in Income Tax and GST: Implications for Commerce

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Abstract:- The landscape of taxation in India has undergone significant changes in recent years, particularly in the areas of Income Tax and Goods and Services Tax (GST). This paper examines the latest amendments in both these areas, focusing on their impact on businesses and commerce in India. The Income Tax reforms introduced in the Finance Act 2023 aim to simplify the tax structure and enhance compliance, while GST amendments focus on addressing loopholes and improving the efficiency of tax administration. This study explores these changes in detail, their expected effects on businesses, and the broader economic implications for the Indian commerce sector.

Keywords:- *Income Tax, GST, Tax Reforms, Business Impact, Finance Act, GST Amendments.*

I. INTRODUCTION

Taxation plays a critical role in shaping the business environment in any country, and recent reforms in India's **Income Tax** and **Goods and Services Tax (GST)** are designed to enhance the ease of doing business and promote economic growth. These changes come at a time when India is experiencing rapid digital transformation, with businesses increasingly moving toward a more transparent and automated system of taxation. The introduction of the **Finance Act 2023** has introduced several key amendments to the Income Tax Act, while the GST regime has been further streamlined with new measures aimed at improving compliance, reducing the tax burden on businesses, and enhancing the overall effectiveness of the tax system. This paper explores the latest changes and their impact on commerce in India.

II. LATEST CHANGES IN INCOME TAX (FINANCE ACT 2023)

The **Finance Act 2023** introduced several amendments to the **Income Tax Act, 1961**, aimed at simplifying the tax system and improving compliance. Key changes include:

➢ *Reduction in Corporate Tax Rates*

The **corporate tax rate** for domestic companies with an annual turnover of less than ₹400 crore has been reduced from 25% to 22%. This move is expected to incentivize business investments and stimulate economic growth, particularly in the wake of the COVID-19 pandemic. The reduction is also intended to make India a more attractive destination for foreign investments (Sharma & Singh, 2023).

➢ *Changes to Income Tax Slabs for Individuals*

The **personal income tax slabs** have been revised to offer more relief to individual taxpayers. The new structure, effective from the financial year 2023-24, offers a more progressive approach to income taxation. The key changes include:

- A **reduction in tax rates** for individuals earning between ₹5 lakh and ₹10 lakh.
- An increase in the **basic exemption limit** for senior citizens to ₹5 lakh.
- The introduction of a **standard deduction** of ₹50,000 for individuals earning less than ₹10 lakh annually.

These changes are likely to improve disposable income and consumer spending, which in turn will benefit businesses and the economy (Sinha & Mehta, 2023).

➢ *Introduction of the Faceless Assessment Scheme*

The **faceless assessment scheme**, introduced in previous years, has been further expanded. Under this scheme, tax assessments will be carried out entirely online, removing the need for face-to-face interactions between taxpayers and tax authorities. This is expected to reduce corruption, enhance transparency, and expedite the assessment process, making it easier for businesses to comply with tax laws (Narayan, 2022).

➢ *Taxation on Cryptocurrencies*

In response to the growing popularity of digital assets, the Finance Act 2023 also brought cryptocurrencies under the tax net. The income generated from the sale of cryptocurrencies is now subject to **30% tax**, with no deduction allowed except for the cost of acquisition. This is a significant step toward regulating the cryptocurrency market and ensuring proper tax compliance (Bhatia, 2023).

III. GST REFORMS AND LATEST AMENDMENTS

The **Goods and Services Tax (GST)**, which has been in place since 2017, has undergone several amendments aimed at simplifying the tax regime and improving business compliance. Key reforms in the **GST system**, effective from 2023, include:

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➢ *Introduction of E-Invoicing for Small Businesses*

One of the major changes in the GST regime is the expansion of the **e-invoicing system** to small and medium-sized enterprises (SMEs). Starting from the fiscal year 2023, businesses with an annual turnover exceeding ₹5 crore are required to generate e-invoices for all B2B transactions. This change is expected to enhance transparency, reduce tax evasion, and make it easier for businesses to maintain accurate records. SMEs, who previously faced challenges in adopting digital tax solutions, will now benefit from a simplified invoicing process (Kumar & Shah, 2023).

➢ *Changes to GST Compliance for E-commerce Operators*

The new GST reforms also target e-commerce platforms, introducing provisions that mandate stricter compliance for e-commerce operators. This includes the requirement for platforms to collect **TCS (Tax Collected at Source)** from sellers and remit it to the government. This measure is aimed at improving the collection of taxes on online transactions and ensuring that all transactions, regardless of size, are properly taxed (Rao, 2023).

➢ *Increase in GST on Luxury Goods*

The **GST rate on luxury goods** such as high-end cars, luxury watches, and premium apparel has been increased from 18% to 28%. This move is intended to align the taxation of luxury goods with the broader goal of increasing the tax base and reducing the burden on essential commodities (Patel, 2023).

➢ *Simplification of GST Returns*

To simplify the **GST filing process**, the government has introduced a **new GST return filing system**, which includes the introduction of **GST ANX-1 and ANX-2** forms. These forms will replace the existing GSTR-1 and GSTR-3B, enabling businesses to file returns in a more user-friendly format. This move is expected to reduce compliance costs and make it easier for businesses to remain compliant with GST regulations (Gupta, 2023).

➢ *Streamlining Input Tax Credit (ITC) Rules*

Another significant reform is the streamlining of the **Input Tax Credit (ITC)** rules. The **ITC** mechanism, which allows businesses to offset the tax paid on inputs against the tax payable on outputs, has been simplified. The new rules aim to make it easier for businesses to claim ITC on input goods and services, thereby reducing the overall tax burden (Sen, 2023).

IV. IMPLICATIONS FOR COMMERCE

The changes in **Income Tax** and **GST** are likely to have significant implications for businesses in India. Some of the key effects include:

➢ *Increased Compliance Costs for SMEs*

While the e-invoicing system and other reforms are designed to improve tax collection, they may result in higher compliance costs for small and medium-sized businesses. These businesses will need to invest in better accounting systems and IT infrastructure to ensure compliance with the new requirements. However, the long-term benefits of enhanced transparency and reduced tax evasion should outweigh these initial costs (Kumar, 2022).

➢ *Enhanced Ease of Doing Business*

The **faceless assessment scheme** and simplified GST return filing processes are expected to improve the ease of doing business in India. By reducing the administrative burden on businesses and enhancing transparency in tax collection, these reforms will make it easier for companies to focus on growth and expansion rather than navigating complex tax systems (Singh & Sharma, 2023).

➢ *Impact on E-Commerce and Digital Economy*

The increased focus on e-commerce operators and the introduction of mandatory e-invoicing for small businesses will further digitize the Indian economy. These measures are expected to boost the growth of the **digital economy** by encouraging businesses to adopt more transparent and efficient tax practices (Dubey, 2021).

V. CHALLENGES AND FUTURE OUTLOOK

Despite the benefits of these reforms, some challenges remain, particularly with regard to ensuring widespread compliance and addressing the needs of businesses that operate in the informal sector. While the faceless assessment scheme and simplified return filing are expected to reduce the burden on formal businesses, the informal economy may still find it challenging to comply with the new requirements. Moreover, the increased focus on e-commerce platforms may strain small online businesses that operate with thin margins (Tabor, 2023).

➢ *Technology Adoption and Training*

The rapid adoption of **digital taxation systems** requires businesses to invest in technology and employee training. Many small and medium-sized enterprises may face difficulties in adapting to these changes, which could result in compliance challenges. However, with government support and improved digital infrastructure, these barriers are likely to diminish in the long run (Rao, 2016).

➢ *Role of Technology in Enhancing Compliance*

The future of tax reforms in India will likely see greater use of **artificial intelligence (AI)** and **machine learning (ML)** in identifying non-compliance and preventing fraud. These technologies can help streamline tax administration, reduce human intervention, and ensure a more accurate and transparent system. Businesses will need to stay ahead of these technological advancements to remain compliant and avoid penalties (Srinivasan, 2022).

VI. CONCLUSION

The latest changes in **Income Tax** and **GST** reflect the Indian government's efforts to create a more business-friendly environment while ensuring better tax compliance and revenue collection. The reforms, such as the reduction in corporate tax rates, the introduction of e-invoicing for SMEs, and the simplification of GST compliance, are expected to

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enhance the ease of doing business, promote investment, and support the growth of the digital economy. While these changes present challenges for businesses, particularly in terms of compliance costs, the long-term benefits for the Indian economy are substantial. Businesses must adapt to these reforms to leverage the opportunities they present for growth and expansion.

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