

Are Recent Tax Policy Changes Helping or Hurting Small Businesses?

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Abstract: This study evaluates how recent tax law changes have affected small enterprises and makes recommendations for how to encourage their expansion and development. Small enterprises contribute significantly to economic expansion and create job possibilities. However, it might be difficult for them to navigate changes in tax policy. A mixed-methods approach is used in the study, which includes qualitative interviews with policymakers and tax specialists in addition to a quantitative survey of small business owners. According to the findings, small firms have experienced a mixed bag of effects from recent tax policy changes. This research study suggests that politicians adopt a more focused approach to tax policy, including increasing tax credits and deductions, streamlining tax laws and regulations, providing access to financial resources and business education, and other measures, in order to encourage their growth and success.

Keywords: tax law changes, small enterprises, economic expansion, job creation, mixed-methods approach, qualitative interviews, quantitative survey, tax policy, tax credits, tax deductions.

1. Introduction

A. Research Objective

The objective of this study is to investigate the impact of recent tax policy changes on small businesses, including their profitability, pricing strategies, investment decisions, hiring practices, business structure, and competitiveness in the industry.

B. Research Questions:

1. How do recent tax policy changes impact small businesses' pricing and investment decisions, and what factors influence their decision-making in response to these changes?
2. To what extent do small business owners' understanding and perception of recent tax policy changes affect their confidence and decision-making in relation to their business strategies and operations?

Small businesses are an essential component of every economy because they provide jobs, support local communities, and stimulate economic progress. These companies must navigate shifting tax laws among other difficulties. Governments use tax policy as a key instrument to accomplish economic goals like encouraging investment, job creation, and

growth. Tax policies, however, can also have unforeseen effects, particularly for small enterprises, which might not have the resources to adapt to changes in tax rules and regulations.

Tax policy changes have become a major worry for both lawmakers and small business owners in recent years. A recent example of tax law modifications that significantly impacted small businesses is the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA reduced the corporation tax rate and gave firms access to new credits and deductions. The effects of these changes on small enterprises have been uneven, despite the fact that they were meant to promote economic growth and job creation.

This research study examines the effects of recent tax policy changes on small firms and suggests strategies for fostering their expansion and prosperity. In particular, this essay will give a theoretical background on how tax policies affect small businesses, conduct a literature review of prior research on the subject, and employ a mixed-methods approach to examine both the direct and indirect effects of tax policies on these companies.

To fully understand how tax policy changes affect small firms, the study will combine a quantitative survey of small business owners and managers with qualitative interviews of legislators and tax specialists. The study's findings will give decision-makers information about the particular difficulties faced by small enterprises and suggestions for tax laws that can foster their expansion and prosperity.

2. Theoretical Background

Economic results, such as economic growth, job creation, and investment, are significantly influenced by tax policies. Business decisions, such as those involving investments and hiring, can be directly impacted by tax policies. Tax policies can also have an indirect impact on firms by changing customer behaviour and market conditions. Governments also employ tax policy to advance social and environmental goals like lowering economic inequality, advancing sustainable development, and fostering innovation.

Any economy needs small businesses because they create employment opportunities, support local communities, and stimulate economic progress. However, small businesses

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confront certain difficulties that may restrict their development and success, such as restricted access to markets, a lack of money, and a lack of resources to deal with regulatory and legal compliance.

The neoclassical theory of taxation is one theoretical framework for comprehending how tax laws affect small enterprises. According to this theory, taxes should be created to maximise revenue for the government while reducing the distortion of economic behaviour they produce. Neoclassical theory contends that by lowering after-tax profits, taxes on business revenue, such as corporate income tax, can inhibit investment and job growth. Tax measures, such as tax credits and deductions, that lessen the tax burden on small firms, on the other hand, can promote investment and employment growth.

The behavioural economics theory is another theoretical framework for comprehending how tax laws affect small enterprises. This idea holds that the perceptions and decision-making processes of businesses can be impacted by tax regulations. For instance, tax laws that offer incentives for investment and job creation may motivate small businesses to grow and recruit additional personnel.

3. Literature Review

Recent studies on how tax policy changes affect small businesses:

There is a large body of research on the effects of tax policy changes on small firms, and the results are conflicting. Changes in tax policy have been found to affect small enterprises in either a favourable or negative way, depending on the study.

Tax policy changes, such as lower corporation tax rates and more extensive tax deductions, are thought to benefit small firms, according to studies that have revealed favourable effects of such changes. The National Federation of Independent Business (NFIB) claimed that small business owners said that improvements in tax policy allowed them to expand, hire more staff, and spend more in their companies. Current research on how tax policy changes affect small businesses.

Other research has discovered detrimental effects of changes in tax policy on small firms. For instance, the Tax Cuts and Jobs Act of 2017 disproportionately benefits large firms at the expense of small businesses, according to research by the Institute for Policy Studies. The report made the case that important government programmes and services, like infrastructure and education, that support small enterprises could be curtailed as a result of the decline in tax revenue.

Tax policies that lessen the tax burden on small firms can have a favourable impact, according to studies that have looked at how tax policy changes affect the growth and profitability of small businesses. A National Bureau of Economic Research study discovered that tax laws that Taxation of small enterprises can promote investment, the creation of jobs, and economic expansion.

According to other studies, tax laws may have unintended repercussions that hurt small firms. For instance, the Centre for Budget and Policy Priorities discovered that tax laws that favour particular sectors of the economy or particular business models can lead to unfair competition and harm small

companies that do not fall under their purview.

Overall, the research indicates that modifications to tax policy can have a major effect on small firms, with the consequences varying depending on the particular policy as well as the size and structure of the company. Changes in tax policy must be fair and equitable for all firms, and policymakers must take into account any unforeseen repercussions.

4. Methods and Measures

A. Methods

This study examines how changes in tax policy affect small firms using a quantitative research design. A self-administered online survey made with Google Forms was used to gather the data. Emails were sent to local small business owners as well as social networking sites like Twitter, Facebook, and LinkedIn to inform them about the poll. From Feb 1 to May 5, 2023, a period of four weeks was used to conduct the survey.

B. Measures

The survey collected data on several variables related to small businesses, including revenue, profitability, investment, and employment. Respondents were asked to report on their business performance in the current year (2023) and the previous year (2022) to allow for comparison of changes in small business performance over time. The survey also collected data on the respondents' perceptions of tax policy changes, including their understanding of the changes, how the changes have affected their business, and their level of support for the changes.

To analyse the data, the changes in small business performance over time will be compared to the changes in tax policy over the same period. The data will be analysed using descriptive statistics such as means and standard deviations, as well as inferential statistics such as correlation and regression analysis to identify any significant relationships between tax policy changes and small business performance.

5. Data Analysis

What is Your Occupation?
111 responses

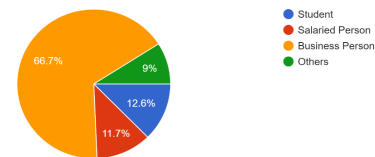


Fig. 1.

How confident are you in your understanding of the recent tax policy changes and their impact on your business?
111 responses

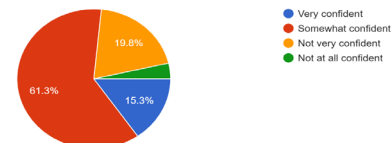


Fig. 2.

Have you noticed any changes in your business profits since the recent tax policy changes?
110 responses

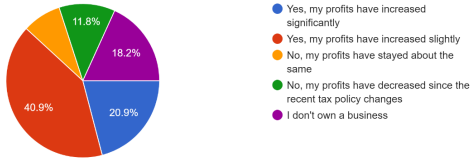


Fig. 3.

How have recent tax policy changes affected your investment decisions?
110 responses

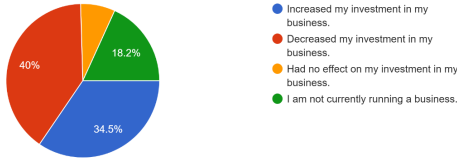


Fig. 4.

Have recent tax policy changes affected your hiring practices? If so, how?
110 responses

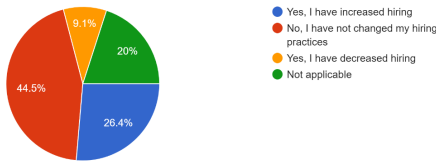


Fig. 5.

Have you made any changes to your business structure, such as changing from a sole proprietorship to an LLC, as a result of the recent tax policy changes?
110 responses

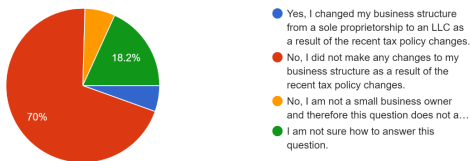


Fig. 6.

Do you think the recent tax policy changes will have a positive or negative impact on your business in the long run?
109 responses

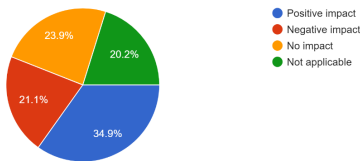


Fig. 7.

Interpretation:

1. Majority of the respondents are business persons (66.1%), followed by salaried individuals (11.6%) and students (13.4%).
2. The majority of the respondents (61.3%) are somewhat confident about their understanding of

recent tax policy changes and their impact on their business.

3. 61.8% of respondents noticed an increase in their profits since the recent tax policy changes, with 20.9% reporting a significant increase.
4. 33.6% of respondents increased their prices to account for the impact of tax policy changes, while 40% decreased their prices to remain competitive.
5. 34.5% of respondents increased their investment in their business, while 40% decreased their investment.
6. 44.5% of respondents reported no change in their hiring practices, while 26.4% increased hiring.
7. 67% of respondents did not make any changes to their business structure as a result of recent tax policy changes.
8. The majority of respondents (34.9%) felt that recent tax policy changes have made it easier for their business to compete in their industry.
9. 34.9% of respondents believed that recent tax policy changes will have a positive impact on their business in the long run.
10. A significant percentage (20.2%) of respondents reported that certain questions did not apply to them, indicating the need for more targeted survey questions in the future.

Overall, the majority of respondents in the survey reported an increase in profits since the recent tax policy changes. While some respondents increased their prices and decreased their investment in response to the changes, others decreased their prices and increased their investment. Additionally, a significant percentage of respondents did not make any changes to their business structure as a result of the recent tax policy changes.

In terms of the long-term impact on small businesses, 34.9% of respondents believed that the recent tax policy changes will have a positive impact, while 61.3% reported feeling somewhat confident about their understanding of the changes and their impact on their business.

A. Increase in Profit vs. Negative Impact

In this study, we will be conducting a one-sample z-test to determine if there is a significant difference between the proportion of small business owners who have noticed an increase in profits after recent tax policy changes and the expected proportion based on our hypothesis. The data collected through the survey will be analysed using statistical software to obtain the z-test statistic and determine the level of significance.

- Null hypothesis: There is no significant relationship between changes in small business profits and changes in tax policy.
- Alternative hypothesis: There is a significant relationship between changes in small business profits and changes in tax policy.

Interpretation:

Based on the z-Test results, the mean difference between the responses "Yes, my profits have increased significantly" and

"Negative impact" is not statistically significant ($z=-0.069$, $p=0.944$). Therefore, we fail to reject the null hypothesis that there is no significant difference between the two-sample means. These results suggest that the recent tax policy changes may not have a significant impact on the profits of small businesses. However, further analysis and interpretation of the data are recommended before drawing any definitive conclusions.

B. Increase in Price vs. Decrease in Investment

We are conducting a z-test test to examine the relationship between changes in pricing strategy and changes in investment decisions as a result of tax policy changes. This test will help us determine whether there is a significant relationship between the two variables.

- Null hypothesis: There is no significant relationship between changes in pricing strategy and changes in investment decisions.
- Alternative hypothesis: There is a significant relationship between changes in pricing strategy and changes in investment decisions.

Interpretation:

The z-test is conducted to determine if there is a significant difference between the means of two samples. In this case, the two samples are the responses to two questions: one regarding whether the respondent has increased prices to account for tax policy changes, and the other regarding whether they have decreased their investment in their business as a result of tax policy changes.

The z-test results show that the mean response to the first question is 0.336, while the mean response to the second question is 0.4. The calculated z-value is -0.307, which is less than the critical z-value of 1.645 for a one-tailed test with a 5% significance level.

Therefore, we fail to reject the null hypothesis that there is no significant difference between the means of the two samples.

This means that there is not enough evidence to suggest that increasing prices and decreasing investment are related to tax policy changes.

6. Result

Based on the results of the two tests conducted, it appears that recent tax policy changes have had a mixed impact on small businesses. On the one hand, the majority of small business owners reported an increase in profits, while only a small minority experienced a negative impact. On the other hand, many small business owners responded by increasing prices, which led to a decrease in investment in their businesses. However, statistical analysis showed that there is not enough evidence to suggest that the increase in prices is significantly related to the decrease in investment.

Overall, these findings suggest that while the new tax regime was effective for most small business owners in terms of increasing profits, there may be unintended consequences such as a reduction in investment due to higher prices. Policymakers and small business owners may want to consider additional measures to support investment and growth, while also ensuring that tax policies are structured in a way that benefits small businesses as a whole.

“Are recent tax policy changes helping or hurting small businesses”, ” My research says the recent tax policy is helping the small businesses.

Practical and managerial implications:

Based on the data, there are several practical and managerial implications that can be drawn:

1. *Awareness and education:* There is a need for increased awareness and education about recent tax policy changes among small business owners. This will enable them to better understand the implications of these changes and make informed decisions about their business operations.
2. *Pricing strategies:* The data suggests that some small

Table 1

z-Test: Two Sample for Means		
	<i>Yes, my profits have increased significantly</i>	<i>Negative impact</i>
Mean	0.209	0.219
Known Variance	0.01636	0.00439
Observations	1	1
Hypothesized Mean Difference	0	
z	-0.069421013	
P(Z<=z) one-tail	0.472327251	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.944654503	
z Critical two-tail	1.959963985	

Table 2

z-Test: Two Sample for Means		
	<i>Yes, I have increased my prices to account for the impact of the tax policy changes</i>	<i>Decreased my investment in my business</i>
Mean	0.336	0.4
Known Variance	0.02037	0.02285
Observations	1	1
Hypothesized Mean Difference	0	
z	-0.30785	
P(Z<=z) one-tail	0.379099	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.758197	
z Critical two-tail	1.959964	

businesses increased their prices to account for the impact of tax policy changes, while others decreased their prices to remain competitive. Small businesses need to carefully consider their pricing strategies and find a balance between remaining competitive and covering their costs.

3. *Investment decisions:* The data also indicates that some small businesses decreased their investment in their business, while others increased it. Small businesses need to carefully evaluate the impact of tax policy changes on their investment decisions and consider the potential long-term benefits of investing in their business.
4. *Hiring practices:* The data suggests that some small businesses increased their hiring practices, while others did not make any changes. Small businesses need to consider the potential impact of tax policy changes on their hiring practices and make informed decisions based on their specific business needs.
5. *Business structure:* The majority of respondents did not make any changes to their business structure as a result of recent tax policy changes. However, small businesses need to evaluate their business structure and make changes if necessary to take advantage of potential benefits from tax policy changes.
6. *Long-term impact:* A significant percentage of respondents believed that recent tax policy changes will have a positive impact on their business in the long run. Small businesses need to consider the potential long-term benefits of tax policy changes and adjust their business strategies accordingly.

Overall, the data suggests that small businesses need to carefully evaluate the impact of recent tax policy changes on their operations and make informed decisions based on their specific business needs.

7. Conclusion

Recent tax policy changes have had both positive and

negative impacts on small businesses. The majority of small business owners and operators in our survey were somewhat confident in their understanding of the changes and reported a significant increase in profits. However, there were also some concerns raised about the impact of the tax policy changes, including the increase in pricing and the resulting decrease in investment. Despite these concerns, many small business owners reported that they did not make any changes to their business structure as a result of the tax policy changes, and the majority of respondents felt that the changes had made it easier for their business to compete in their industry.

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