

A Minor Research Project on

**“Range of Knowledge on And Extent of Utilisation of Tax Incentives
and Concessions by The Micro and Small Scale Industries of
Mangalore and Udupi Districts”**



Submitted to

About Us

**University Grants Commission South Western Regional Office
Bangalore, Karnataka - 560009**

by

Mr. Purushotham, M.Com.

**Dept. of Commerce & Business Management
Govinda Dasa College, Surathkal**



**RANGE OF KNOWLEDGE ON AND EXTENT OF UTILISATION OF TAX INCENTIVES
AND CONCESSIONS BY THE MICRO AND SMALL SCALE INDUSTRIES OF
MANGALORE AND UDUPI DISTRICTS**

INTRODUCTION :

The Micro and Small Scale Industries (SSI) in India have been contributing significantly to the economy of the country in terms of country's industrial production, exports, employment and creation of entrepreneurial base. According to one source, the 40% of the country's gross industrial value is added up by the Micro and Small Scale Industries located at different parts of the country including the rural region. At present there are thousands of such industries with the investment of not more than 25 Crores on the plant and machinery indulging in manufacturing sector and the service sector as well. It has been pointed out that a million rupees of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points. It is further estimated that 1,00,000 rupees of investment in fixed assets in the small scale sector generates employment for four persons and hence it provides a lots of employment opportunities. Apart from these potentialities the small and micro scale industries in the country are facing some serious problems that are acting as strong barricades in their way to prosper like; lack of technology, managerial know-how, technical and professional expertise. Even though State and Central Governments have taken several steps to encourage, promote and uplift the conditions of micro and small scale industries, like subsidies, low interest rate loan facilities, tariff and tax benefits, the situation has not changed much. The empowerment of the Micro and SSI is a need of the hour.

The empowerment of these industries have always been given due preference under various policy and the plans of the government both in central and state projects. Small scale Industries Development Bank (SIDBI), Small Industry Development Organisation (SIDO), National Small Industries Corporation Ltd (NSIC) etc. are in action to provide the assistance to said sector in order to promote its growth. Very importantly varieties of **Tax concessions and incentives** are particularly designed to increase the competitiveness of Small scale industries. Income Tax Act of India 1961 and Central Excise Tariff Act (CETA) 1985 have also inserted various sections and provisions to provide the Direct tax and Indirect tax benefits to these industries. This came into existence in the financial year 2005-06 and now a SSIs can easily put his claim under section 80-IB that comes under the income tax act 1961: If any small scale unit is carried by a company then deduction of 30% will be applicable for the very first 10 years. In the same way if that unit is possessed by any co-operative society than 25% will be applicable for the same 10 years. In the same way if the SSI unit is owned by any individual that the deduction amount will be nearly 25% for the same 10 years.

Small Scale Industries are needed to deposit excise duty under the provision of the Central Excise Tariff Act, 1985 (5 of 1986). But the excise concession amount is dependable on its annual turnover not on its registration. It has been reported that this kind of SSI units doesn't produce more than Rs. 4 crores which makes them eligible for taking any type of concessions. On regular interval Government of India provides concession to all SSIs and gives them full exemption. Government also offers concession on excise duty and sometimes these types of concessions are based on slab-wise distribution. So here presenting list of concessions:

Those SSIs units who are producing goods more than Rs.100 Lakhs are fully exempted from any kind of payment of excise duties.

- Those who have a turnover of more than Rs. 60 Lakhs annually need not to capture a different room for storing all finished products.

- They are also not supposed to maintain any type of records that may be daily stock accounts or any other. They just need to maintain a record for themselves.

- There is a provision of exemption for goods that are produced by SSI units for home consumption or just export to countries like Nepal and Bhutan.

But unfortunately, many of these Small and Micro Industries are not aware of the tax benefits available to them. Hence there is a scope to study the impact of taxation on these micro and small scale firms, extent to and magnitude at which Micro and Small scale Industries are making use of the relaxations that are available for them for their growth. The study is intended to be carried out in the Udupi and Mangalore districts, by collecting information from not less than 15 running micro and small scale industries. The study would give an overall understanding about the Tax literacy of Micro and Small Scale Industries of the region.

OBJECTIVES :

The study will be carried out with view to achieve following noted objectives.

1. To know the view point of entrepreneurs of micro and small scale industries on Taxation of their income.
2. To understand the range of the knowledge on the part of owners of Small Scale industries about various tax benefits, incentives, deductions and concessions available to them.
3. To evaluate the extent of access made towards those tax benefits, incentives, deductions and concessions available to them.
4. To know the impact of tax on the operations of Micro and Small Scale Industries.
5. To know the reasons and difficulties in availing the policy benefits offered by the Governments under its policy of taxation.

METHODOLOGY :

The study is desired to be conducted by taking a random sample of not less than 15 small scale industries including those of micro level industries located in the Udupi and Mangalore districts of Karnataka. The Direct interview of entrepreneurs and Questionnaire method is to be undertaken to extract the required, necessary information for the study. Various standard books, related journals, magazines will also be accessed as a tool of study.

LIMITATIONS OF THE STUDY :

1. The study is not extensive. Micro and Small Industries of only Udupi and Mangalore Districts are covered under the study.
2. The scope of the study is limited to applicability of tax aspects to the micro and small scale industry which is one among many hurdles for the growth of the said sector.
