

# Wait and watch for GST

Goods and Services Tax (GST), a much awaited uniform tax regime which was initially tabled in 2006-2007, is likely to be implemented almost a decade later, from April 1, 2016. The GST Constitutional Amendment Bill was passed by the Lok Sabha on March 7, 2015 and now all eyes are on the Rajya Sabha. But a question lingers on — Is the logistics industry prepared for GST? CARGOTALK speaks to a few industry veterans to know their opinion and gives the readers a glimpse of the measures that can make the GST roll out a success.



KALPANA LOHUMI



**Gur Prasad Kohli**  
MD & Head of India, Wallenius Wilhelmsen Logistics

The bill should be introduced by April 2016 to simplify taxes levied on the movement of goods across states and to reduce logistic delays.

But it seems like several Original Equipment Manufacturers (OEMs) are not ready to take advantage of the changes in the tax structure, to be ushered in by the implementation of GST. However, this will not impact the supply chains, since the GST bill envisaged by the government reduces the taxes on inter-state movement of cargo vehicle, but does not eliminate it completely.

The logistics industry needs the Government of India to implement the GST bill in the original format. As days pass by and the government struggles to get a consensus in the Rajya Sabha, the tax reforms get diluted. This is not good for the industry and the country.



**RS Subramanian**  
SVP & Country Manager – India, DHL Express

Being ready is a need and not an option. The benefits and ambition behind the GST are well known and cannot be disputed. But as it stands today, there are many issues to be addressed. There is a need for rationalising the physical checks, screening and documentation of inter-state movements nationwide, enabling IT and RMS-led support for good movement.

National logistics players are worried about the need for filing returns and reconciling accounts with 30 state authorities as compared to a single service tax return that they file today. It becomes potentially challenging since different states treat value-added services differently. Further the proposed one per cent origin tax may lead to further complexities, since it would also add to the total cost.

**Uday Palsule**  
Managing Director, Spear Logistics

When GST is brought into effect, the supply of goods and services will become taxable, rather than their manufacturing or sales. This fundamental change alters location of tax and thereby brings supply chain firmly in the ambit of GST.

Leading companies are already prepared for fewer Distribution Channels (DC) dictated by demand density, operational footprint rather than taxation. Local sale, stock transfer will not drive location of warehouses and transportation volumes. Customer Service Levels (which influence revenues) and Cost of Customer Service (influences profitability of delivery network) will drive network design. Whether to carry out activities (such as bundling, labelling and repackaging) within the DCs will be a choice, since GST will be payable only if input and output values change. Large reduction in inventory levels is seen because of reduction in the number of warehouses.

Once it gets implemented, fewer large warehouses will handle high levels of transactions. They will be required to provide very high transaction fulfillment, maintain high inventory integrity and provide high visibility and traceability of inventory. With such large complexes, DCs will need to be well invested with material handling and storage equipment, IT and trained manpower. Needless to say, organised players in warehousing will be able to play their role effectively.

I am sure, with the given benefits of GST, industries will be ready by the time it is implemented and will accept it as a positive change, due for a long time.



**Yashpal Sharma**  
Director, Skyways Group

GST in India is envisaged to replace all indirect taxes currently imposed by the center and states to foster a common market.

The implementation of GST by April 2016 appears to be a strong possibility now. Its implementation will impact all industries, across sector. The opportunity is huge for the logistics companies and their customers.

Successful implementation of GST would boost the demand for warehousing by 15-20 per cent over the next five years. The entire supply chain will need to be redesigned to reap the benefit of GST. The warehouses will have to be closer to manufacturing locations or consumption markets.



## HIGHLIGHTS:

- The logistics industry needs the Government of India to implement the GST bill in the original format.
- Industry stakeholders would require adequate time for a full-fledged implementation of GST preceded by a trial run.
- Once it gets implemented, fewer large warehouses will handle high levels of transactions.
- Successful implementation of GST would boost the demand for warehousing by 15-20 per cent over the next five years.
- Logistics network may require integration with GST network to be developed by the Government for getting benefit of credit at all stages.
- The GST implementation will shake up local sales tax regimes and the related clout exercised by the respective departments in the states.
- The treatment of value added services by different states differently is a potential challenge.
- It is imperative that the industry be educated and given adequate time to get ready.
- GST is indeed a step in the right direction
- Right now, each of India's 29 states charges merchandise that move over their fringes at diverse rates. Therefore, cargo that moves the nation over is exhausted different times.