“A Study on Impact of GST in Indian Logistics”

Nandgopal P & Vijay K Rajan
M.Com IV Semester Department of Management and Commerce Amrita Vishwa Vidyapeetham
Amrita School of Arts and Sciences, Mysuru, Karnataka

Abstract: The goods and services are divided into five tax plates to collect taxes - 0%, 5%, 12%, 18% and 28%. Oil and alcohol products are taxed separately by individual state governments. There is a special ratio of 0.25% on semi-precious stones and 3% on gold. In addition, 22% or other rates are higher than 28% of sales tax applicable to certain items such as soft drinks, luxury cars and tobacco products. Before GST, the legal tax rate for most goods was about 26.5%, after GST, most of the goods are expected in the tax range 18%. Logistics in general is the detailed implementation of a complicated process. In general, logistics is the management of the flow of objects between the starting point and the point of usage to fulfill the needs of companies or customers. Resources managed in logistics can include material items such as food, materials, animals, tools and fluids. As well as abstract elements, such as time and information. Logistics usually includes physical material, information flow integration, material handling, production, packaging, inventory, transport, storage, and safety.

As a sector that collects countless industrial and commercial activities in the country on a daily basis, it tries forever to bridge the fragile gap between increasing consumption and timely supply, it is hardly self-evident to consider logistics as the backbone of the Indian economy is rapidly changing shape. It is the congruence between infrastructure, technology and multiple service providers that makes the field of the logistics industry, which effectively facilitates the delivery of goods and services in a timely, safe and appropriate manner to the end consumer through a strong supply chain. Therefore, it is important to understand the impact of GST on logistics.

Keywords: Tax, Goods, Service tax, Logistics

I. Introduction

The tax is a compulsory payment on an estimate income (direct tax) on the value of goods and services provided (indirect taxes). GST is an indirect federal sales tax applied to the cost of most goods and services except petroleum products and alcohol. The business adds GST to the price of the product; the customer who buys the product pays the sale price plus GST; the GST portion is collected by the business or seller and forwarded to the government.

Most countries with GST have a single unified system that means single tax rate is applied all over the country. A country which follows this taxation system merges central taxes (eg sales tax, excise duty tax, service tax) with state-level taxes (eg entertainment tax, entry tax, transfer tax, sin tax, luxury tax) and collects them as one single tax.

1.1. GST- An Origin

The first country to apply the GST was France in 1954, after that approximately 160 countries have adopted this tax system in one form or another including nations like Australia, Singapore, United Kingdom, Spain, Italy, Nigeria, Brazil and South Korea. India is scheduled to join the GST Group on 1 July 2017.

There are only a few structures such as GST in Canada and Brazil which follows dual system where taxes are collected by the federal or central government and then distributed to states. In comparison to a unified GST economy the federal GST is applied as well as state sales tax

It is proposed that the bilateral sales tax figure be set in 2017, which will be the largest reform in the country's tax structure for decades. The aim of GST integration is to remove cascading effect of taxes, i.e., double taxation, ranging from manufacturing to consumption.

The main aim of implementing GST in India is to control the inflation in long run. GST is an indirect tax (or consumption tax) imposed in India on the sale of goods and services. GST is levied at all the steps of production process, but it is returned to all parties in other production chain.
GST structure in India
CGST - CGST is known as Central Goods and services tax. It is applicable on suppliers dealing within the state. Taxes which are collected will be shared with the central authority body.

SGST - SGST is known as state Goods and services tax. It is applicable to suppliers who dealing within the state. Taxes which are collected will be shared to state authority body.

IGST - IGST stands for an Integrated Goods and services tax. It is applicable to suppliers who dealing interstate business and import transaction. Taxes which are collected will be shared to central and state authority body.

UTGST – It is stands for the transactions which are taken place in the union territories.

1.4. Present GST slabs in India

<table>
<thead>
<tr>
<th>GST Rate Proposal</th>
<th>Potential Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Items of basic needs illustratively, food grains</td>
</tr>
<tr>
<td>5%</td>
<td>Items of mass consumption</td>
</tr>
<tr>
<td>12 to 18 %</td>
<td>Pegged as standard rates, products for lower middle class, processed foods.</td>
</tr>
<tr>
<td>28%</td>
<td>Entertainment, white goods, cars</td>
</tr>
<tr>
<td>28% plus cess</td>
<td>Luxury cars, tobacco, alcohol</td>
</tr>
</tbody>
</table>

1.2. Statement of the Problem

Although the movement of goods across countries has become more efficient, the end-user of the product or service is obliged to pay tax due to the application of GST in India. The current system without GST means that “tax is paid on the value of goods and margin at each stage of the production process” and this would translate into an amount higher than the total tax paid. Thus the final consumer is obliged to pay more to purchase goods or avail services.

However, these are not the only challenges experienced by the Indian logistics industry. Some other obstacles in this regard are:

- Uncertain, unorganized pricing policies and unrestricted costs.
- Differential regulations with the intervention of local, regional and national tax authorities.
- Lack of trained staff and inadequate tax management programs.
- An unstable assessment of transport costs leading to corruption
- Damage to inventory and bad debts resulting from delayed delivery or improper delivery of goods

This study is an attempt to suggest therapeutic guidelines to overcome the above issues in the field of logistics.

1.3. Objectives of the Study

- To analyze the pros and cons of GST in Indian Logistics.

1.4. Methodology

Data collection: Secondary data

Study Period: Post budgetary session of Financial Year 2017-18

Statistical Method: Descriptive study

1.5. Findings of the Study

The present study referred to the following main conclusions.

- The tax entered into force on 1 July 2017 through the implementation of the amendment of 101 of the Constitution of India by Modi Government. Tax rates, rules and regulations are subject to the GSTC, which includes finance ministers of the Center and all states. The GST has facilitated a large number of indirect taxes with a single tax, and is therefore expected to redraw the country's $ 2.4 trillion economy. Travel time between trucks in interstate traffic has decreased by 20% due to the lack of interstate verification functions.
- Despite of the weak economic sentiments, logistics industry continues to grow due to growth in the retail, e-commerce and manufacturing sectors. The logistics industry is expected to reach more than US $ 2 billion by 2019. The rise in the e-commerce services market and the increase in domestic consumption will lead to hike in growth rate in Logistics industry in the coming years.

The sales tax effect (GST) is likely to be valid by reducing long-term clearance processes and complex processes at many points across countries. This drastic reduction in travel time coupled with significantly reduced costs directly supports companies to provide approximately 30-40% of the cost at the discretion of the World Bank. These cost-saving savings will boost the country's GDP.

- GST support the logistics industry directly to avoid explicit cost @ 20% by eliminating the consecutive effect of multiple taxes in its own management setup.
• GST is trying to obtain a large amount of foreign direct investment through leading multinational companies that will certainly establish a joint strategic platform for MNC’s main storage to deliver the necessary supplies.
• Goods and services taxes have a positive impact on their implementation through cross-border remittance and associated corruption as a single measure imposed through an E-way bill for service providers from the starting point to the destination.

Impact of GST on Logistics from consumers’ perception

<table>
<thead>
<tr>
<th>POSITIVE IMPACTS</th>
<th>NEGATIVE IMPACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace a number of other indirect taxes</td>
<td>“Service tax rate of 15% is presently charged on the services. So if GST is introduced at a higher rate which is likely to be seen in the near future, the goods and services cost will rise. GST can be charged @18% on maximum services and shall reach up to 28% for some services like all the services like telecom, banking, airline etc. Become more expensive.”</td>
</tr>
<tr>
<td>Efficient tracking system</td>
<td>“Increased cost of services with proportionate increase of consumer expenses.”</td>
</tr>
<tr>
<td>Easy access to transportation records</td>
<td>“As GST administration is in progress it will take some time for the people to understand it completely.”</td>
</tr>
<tr>
<td>Timely supply of goods</td>
<td>“The prices of goods can see a rising trend if actual benefit is not passed to the consumer and the seller increases his profit margin.”</td>
</tr>
</tbody>
</table>

The present GST contributes more added advantages to the logistics industry but there is a major drawback in considering the inflationary fluctuations of fuel cost as it is not clarity guideline from GST component.

II. Conclusion

However, if one weighs the pros and cons of a reformed tax policy, the benefits will outweigh the negatives. In any case, GST effect cannot be a fact because it is likely to have far-reaching effects on business and consumer as a whole - from pushing commercial players to adopt advanced technology and tools (such as automation), which increases accuracy in the logistics chain, Storage and shipping devices carefully, and improve its geographical strength, from providing the required payment to the current participants looking to upgrade, to make the industry accessible to newcomers; Merger & Acquisition, domestic and foreign abundance, GST is a subversive force on the surface of the current environment which gives a lot of hope, efficiency and prosperity for the entire logistics sector in general.

Reference

[6]. http://wikibizpedia.com
[7]. Online GST .in

“A Study on Impact of GST in Indian Logistics”