

One country, one tax is the GST mantra

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the consumer services but also facilitates proper supply chain management. It is expected to do well in the GST regime," he adds.

Strengthening organised sector

Sanjay P Rathi, Managing Director, Sampark India, comments, "The tax will strengthen the companies in organised sector as opposed to the unorganised sector, since the customers will be allowed to offset services tax under GST. India's logistics sector will be overhauled with the implementation of the GST and schemes such as Dedicated Freight Corridor (DFC) as well as logistics hubs will be quantum leaps along with helping control the inflation. The implementation of GST will lead to lower transit time and thereby generate higher truck utilisation," in adding, "This will boost demand for high tonnage trucks and lead to overall reduction in transportation costs. It will facilitate seamless interstate flow of goods, which is expected to directly accelerate demand for logistics services."

Krishnakumar V, COO, Agility India, notes, "Due to wide spectrum of taxes for each of India's states and union territories, the freight that moves across the country, is taxed multiple times. With GST, companies will now look to reshape their distribution models to the change in tax geography. The speed of movement of goods should improve, and we should expect more innovative business models."

Bhavik Chinai, Founder & CEO, Vamaship, says, "Effective implementation of GST would transform logistics industry in India. All customs and SME business will have a new perspective for business after GST. It will redefine the



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Managing Director
Jetex OceanAir

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way Indian logistics work and will flourish business of organised players of the sector.”

Anshul Singhal, CEO, Embassy Industrial Park, tells, "The GST regime promises one country; one tax. With GST, there will be promotion of trade, improvement of investment climate and an overall rise in GDP. The first beneficiary will be the logistics and transportation sectors. It will unshackle India from its bureaucratic web and improve the ease of doing business."

"The sector is largely fragmented and comprises of many unorganised players. Several players in the unorganised sector avoid tax which generates a cost gap between them and the organised players. With GST coming into picture, we expect an overall positive impact, with a reduction in the cost competitiveness as all the players will be brought



Sunil Kohli
Managing Director
Rahat Cargo

“A strategically placed warehouse not only improves the consumer services but also facilitates proper SCM”

under a uniform tax base, thereby improving growth opportunities for the organised players," notes Rathi.

"The whole process involved in migrating from the current status quo to the post GST scenario mandates a high level of transparency, discipline to timelines, sticking to compliances. This is no doubt good news for those who have always towed the line and have invested in IT platforms that will facilitate transparent and real time transactions. This will lead to some amount of consolidation amongst service providers, while ensuring that service users will now deal with increasingly improved and organised service partners," feels **Vikram Mansukhani**, Head-3PLs, DIESL.

The ripple effect

Estimating that the full impact of GST will be visible in the next 12-18 months, Krishnakumar, says, "The immediate effect is to provide all players with a



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common set of taxations where taking input credit will be easier and more transparent. So both manufacturers and service providers will have better visibility on actual costs, and therefore can be more competitive. In the medium term, closure of border check posts along with improving infrastructure will allow for faster transportation of goods across the country, which will lead to optimisation of distribution centers, and lower the cost of inventory carried."

Commenting on the same, **Jaideep Raha**, Managing Director, Jetex OceanAir, believes, "Immediate changes will be primarily in the accounting software that could somewhat be a problem for us but in the long-run, this will simplify our billing process."

Talking about the benefits to logistics firms from medium to long-term, Rathi, notes, "Q2 FY18 onwards, the implementation



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of GST is almost certain and supply chains in the domestic market are expected to undergo major overhauling. As GST framework will be impressive upon logistics companies to restructure their network, we expect higher efficiency to prevail despite of necessary margin impacting compliance costs. Even though, there is availability of information on the new tax structure, the real impact on logistics remains unclear. The evolution of the sector is a true barometer of the economy as the sub sectors, especially warehousing and transportation."

"Depending upon the state of development, transportation sector either expands or contracts (as a per cent of GDP) while warehousing remains almost constant. While contribution of overall logistics is just under three per cent of the US GDP, the sector contributes near eight to nine per cent of India. The understanding here is that a higher value to the overall

economy pushes down the cost of transportation and storage over the years. This is apparent from the low inflation recorded in developed economies while persistently high in EMs and poorer economies," he adds.

Sharing his perspective, Mansukhani says, "The immediate changes would stay around a heightened focus on ensuring that all service providers are GST compliant and that a timely accounting reconciliation is possible between the user and the provider to ensure that possible inputs credits are maximised. This would present an opportunity for some level of integration between the user and provider ERPs. In the long-term, quite clearly, there would be between 25 to 30 per cent reduction in number of warehousing locations and this decision will be driven by the need for 'Speed to Market'. Transportation will require increased focus and investment to ensure the quality of vehicles and drivers is significantly improved to ensure faster transit times while remaining visible in real time through the journey."

Similarly, Kohli feels, "The introduction of GST might open new forays for the organised sector as well as help to align the unorganised players. The consolidation of various tax components involved in the transportation of goods and services will result in increased efficiency of business as a whole and will facilitate borderless movement of goods."

Talking about the immediate effect, Chinai highlights, "Entire unorganised space will have the short-term negative impact; such as inaccurate filing in terms of finance will have an adverse effect. But in the long-run, e-commerce Contd. on page 10 ►