

# One year of GST: A verdict from India's ACE industry

*July 2018 marked the completion of the first year of the Goods and Services Tax (GST). Touted as the biggest economic reform since Independence, it has had noteworthy impact on the nation's business ecosystem. Electronics Bazaar reached out to a few experts in India's appliances and consumer electronics (ACE) industry to explore how the GST has impacted their business in the last financial year, the obstacles they encountered and how our government can help domestic players rise above the existing challenges.*

By Baishakhi Dutta



On July 1, 2017, the Centre launched the 'one nation, one tax' regime with the Goods and Services Tax (GST), taking India on a roller-coaster ride. The verdict has so far been mixed. So on the first anniversary of the GST launch, many have praised it for combining the multiple indirect taxes into a single, compact tax structure for India's US\$ 2 trillion economy. However, many others have termed the reshuffling as complex and cumbersome.

## The benefits of the 'one nation, one tax' policy

After one year of GST, the views dif-

fer wildly on whether it has achieved what the government claims it has. What is clear, however, is that the new system has done away with the multiple taxes imposed by Central and state governments. Earlier, manufacturers had to carefully analyse the tax rates in states, in order to zero in on the most competitive investment locations. They can now base their decisions on the availability of resources and skills, instead.

Sharan Maini, director-business development at JVC India, mentions that while the journey so far has been full of glitches, the proactive approach of the GST council towards

the issues that cropped up has been altering the economic landscape positively. He believes that the biggest benefit achieved by GST implementation is the elimination of multiple indirect taxes as it has brought every sector effectively under the 'one tax' umbrella, thus generating more revenues and reducing the total tax rates. "It's proved beneficial to traders and the taxpayers as it has simplified the tax regime to a very basic level and is altering the economic landscape positively," says Maini.

One of the key benefits under the GST regime is the input tax credit; this benefit was not available earlier in the

service tax regime, believes Deepak Kabu, CEO, Ziox Mobiles. He adds that with a single non-complex flat tax rate and the elimination of state based taxes levied on procurement, such as custom duties and octroi, there has been a considerable rise in the available credit.

Tejas Goenka, executive director of Tally Solutions, believes that the single tax policy has ensured the levy was as close as possible to the existing rate, which meant the incidence of tax didn't rise. He describes how the long queues of trucks at state borders have disappeared as check posts have been dismantled, thereby creating a seamless national market. "Previously, there were immense delays and higher transaction costs for the logistics sector, eventually translating into higher costs for consumers," Goenka says.

Riya Kabra, general manager-commercial, Truvision, agrees. She says GST is a big boon for domestic manufacturers, as it has lowered costs, reduced the time taken to reach a destination and added to the competitiveness of Indian manufactured goods.

Arjuun Bajaj, CEO and founder of Daiwa TV, states that the biggest benefit of GST is the elimination of multiple indirect taxes. This means that taxes like excise, octroi, sales tax, CENVAT, service tax, turnover tax, etc, are no longer applicable and have all been clubbed under one tax called GST.

### Challenges that still arise

When we ask industry veterans about the challenges that they encounter almost a year after the implementation of GST, Kabu says that though GST has its long term benefits, it is a complex system. He elaborates by saying that the key challenges are input tax credit under the composition scheme and incentive schemes for local manufacturers.

Maini points out that almost half of the businesses are still facing challenges while logging in and submitting information on the GSTN, and the procedure is still time consuming and costly. A GST helpline has been set up by the government but is not as effective as it should be.

According to Pansari, a multi-rate GST with four to five different slabs

## Industry reacts positively



"The best thing GST has done is bring the informal economy, i.e., the cash-driven economy under its umbrella, which has made doing business across the country easier and has brought about transparency."

*—Sharan Maini, director-business development, JVC India*



"GST has streamlined tax compliance and diminished the room for double taxation. This measure has surely added a significant boost to the economy. This welcome reform has also safeguarded a smooth flow of credit in the economy."

*—Deepak Kabu, CEO, Ziox Mobiles*



"With the advent of the GST regime, most businesses have been effectively brought under the GST umbrella, clocking more revenues for the exchequer both at the Central and state levels — one of the very positive impacts of GST."

*—Manoj Kumar Pansari, CEO, Astrum*



"GST brought expectations of free-flowing credit, resulting in overall reduction in the prices of goods and services as well as the barrier-free movement of goods across India. GST kept its commitment to foster ease of doing business and also simplified the tax regime with fewer tax slabs, applicable across all goods and services."

*—Vinit Agarwal, director-brand and marketing, Aisen*



"Through GST, India has transitioned to a single unified market. Inter-state barriers to trade have been dismantled, leading to faster movement of goods across the country, with no long queues at state checkpoints. Overall, several positive developments have built the GST landscape."

*—Riya Kabra, general manager-commercial, Truvision*



"A consumer in West Bengal now pays the same tax on an item as one in Tamil Nadu. GST has also allowed businesses to streamline distribution systems, production, the supply chain and storage, to make them more efficient."

*—Tejas Goenka, executive director, Tally Solutions*



"With the 'one nation, one tax' concept, GST has prevented unhealthy competition among states, making inter-state business more beneficial."

*—Arjuun Bajaj, CEO and founder, Daiwa TV*

is not common on the world tax map. "When you introduce a new tax regime, there are some businesses that have to rethink their pricing and there are others that may enjoy a reduction in their tax burden compared to previous multiple taxes. So the way businesses adjust to new tax arrangements is an important issue," claims Pansari. Challenges were encountered in the implementation of the e-way bill system across India too.

"After the implementation of the GST, industry has been facing various challenges, ranging from dealing with new and unique concepts, complex documentation, and high tax rates for certain goods and services to unclear procedures for many common transactions. Among all the existing challenges, the key ones remain those related to technology, the overall complexity and how to tax the advances received for the supply of goods and procurements from unregistered dealers," says Agarwal.

The uncertainty over input tax credit (ITC) had been a dampener for quite some time for businesses as it had an impact on cash flows. However, over the last few months, the government has taken cognisance of this concern. It has now set a deadline for introducing a simplified return-filing process, under which the flow of ITC will be smoother. Goenka believes that this will greatly help businesses benefit from GST.

As an Indian manufacturer, Bajaj points out that there are many issues that still remain to be addressed, but the fact that some of the knotty problems have been resolved gives businesses the confidence that eventually, all challenges will be sorted out.

When asked about the challenges, he says that tax slabs remain a problem for small players from the unorganised sector. Also, filing returns has been error-prone and creating invoices has also not been easy.

"The GST e-way bill is a major concern for most of the companies that regularly transport goods and send material to various locations. The transport companies are also trying to figure out how to deal with the GST e-way bill provisions," says Bajaj. He adds that the Indian economy is primarily driven by SMEs. Hence, it will be unfair to expect small firms to make the transition to an online IT platform with no errors while filing returns, since the majority of India's working population has little hands-on experience with IT solutions. Kabra shares similar thoughts and says that the transition to the new regime has been relatively smooth except for the technology related challenges.

### **The roadmap**

Though many industry veterans believe that the last one year has been nothing but a roller coaster ride for everyone, they also believe that the road ahead is promising if the government can structure and streamline the problem areas and introduce policy related decisions to resolve the bottlenecks.

Goenka is optimistic that despite the initial teething issues, the move towards the GST regime will undoubtedly be a catalyst in achieving the government's stated agenda of bringing in ease of doing business in India. Kabu, too, believes that the government should focus on simplifying the process and ensure a

painless GST experience by removing any uncertainties about tax issues. He suggests that the government should give people some time to understand and adapt to the new tax regime.

Agarwal mentions that for sustained growth in GST collections, the government needs to ensure that under the new tax regime, the rates are moderate and the tax base is made wider due to better compliance.

Pansari is hopeful that the second year of GST will be as successful and historic as its maiden year. There is a consensus among experts and the industry that GST has made vast progress from its early days. Goenka suggests that a simpler tax filing regime, fewer slabs and a broader tax base are some things the government needs to address in the year ahead. "Compliance with anti-profiteering provisions, technology solutions for GST compliance and a supply chain model needs immediate attention to make GST transition even smoother, compared to the glitches faced last year," says Kabra.

Bajaj remarks that the government should focus this year on compliance strategies, which include compulsory education, assistance programmes and risk-based audit programmes. He suggests two effective methods for this. First, the government must run a sustained communications campaign that highlights the various effects as well as benefits of GST amongst business owners, consumers and important intermediaries. Second, for the benefit of the country, the government must take suggestions from businesses and understand their concerns about GST. ■■■

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