

# Impact of Goods and Service Tax on Logistics Sector

Vineet Agarwal, joint managing director of Transport Corporation of India, believes that introduction of GST will help cease trade boundaries between states, helping companies to consolidate their supply chains towards a seamless supply system across the country

The proposed levy of Goods and Services Tax (GST) will replace many indirect taxes such as State VAT, Central Sales Tax and Service Tax (Central) levied on goods and services by the central and state governments. The GST is second in the line of indirect tax reforms, first being the VAT.

### GST BILL AND ITS CLAUSES

The Goods and Services Tax Bill introduced in Parliament is basically the constitutional amendment bill proposing for the provision of simultaneous powers on centre and states to levy taxes on goods and services.

According to the insertion of new Article 246 A, Parliament and the Legislature of every state have power to make laws with respect to goods and service tax being imposed by the Union or by that State respectively provided that the Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services or both take places in the course of interstate trade or commerce. The newly inserted Article 269 A states that:



**PERCEPTIVE VISION:**  
Mr Agarwal

1. Goods and services tax on supplies in the course of interstate trade or commerce shall be levied and collected by the government of India and such tax shall be apportioned between the Union and the States in the manner as may be prescribed by Parliament by law.
2. Parliament may, by law, formulate the principles for determining when a supply of goods or of services or both takes place in the course of interstate trade or commerce.

### GST: REMOVING THE 'TAX' FACTOR FROM LOGISTICS NETWORK

The present network is highly dependent on the tax struc-

ture (CST) impact while planning warehouses, besides four other factors viz. response time to customer, distribution network, location or supplier/manufacturing plants and supply chain cost.

It is hoped that with introduction of GST trade boundaries between states will cease to exist and companies can consolidate their supply chains which will result in seamless supply across country. However, the dual GST system if adopted which comprises of Central Goods & Service Tax and State Goods & Service Tax then some state may enforce online declaration of transit pass/behati in order to ensure sale of goods (which is meant for other states) within the state territory. This may render the use of hub-spoke very difficult and can negate the very essence and most significant expectation from GST.

It is hoped that GST will also catalyze investments into information technology to help in avoiding delay and detention of trucks which in turn will not only ensure fast delivery of goods, it will catalyze the industry towards better fleet utilization, modern fleet where

the optimum performance of the machine translates into revenue and not overheads.

In essence, we hope GST will help enable the creation of a common market thus permitting free and unobstructed movement of goods and services across the country. This will significantly reduce the vertical imbalance between the central and the states by enhancing tax base of the states.

Also, the implementation of GST in conjunction with state promoted development of logistics parks and free trade warehousing zones will speed up formation of regional hub-based infrastructure and an environment conducive for rationalization of the logistics network.

This in turn will incentivize logistics companies to invest in assets and technology to align their service offering to the complement the supply chains of their customers.

A careful project planning can make GST a profit driver, even in its less than optimal form. But if not planned for, it could lead to execution chaos.

*(The opinions express are personal)*