

Hiregange Academy

Empowering Knowledge & employability

Impact of GST Sales & Marketing
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ABOUT HIREGANGE ACADEMY

This world is a competitive place where sustenance is the key. Qualification is the first stage to a career. Hard work, confidence and more so, 'attitude' is the key to success. Knowledge as a concept is only of potential value. The application, execution and implementation of knowledge is where the power lies. Many graduates, inspite of being qualified are unemployed or under employed. Those in jobs are underutilized or do not work to their potential.

Hiregange Academy- 'A knowledge and employability initiative' is in the quest to support the job aspirants. More specifically to enable them gain self-confidence, enhancing their knowledge in the field of commerce and upgrading their skill sets essential to be "job ready". For those pursuing professional courses facilitate in making them "complete professionals".

It is a small step taken mainly towards bridging the gap between the industry and the job aspirants. The knowledge inputs, guidance, specific training and solutions to common problems, real life case studies and some technology exposure would ensure enhanced employability of the youth. It would enhance the quality of those already employed. For the industry, "the right resources for the right job" can be achieved.

The Academy aims to provide a win-win-win situation for the job seekers, employers and employees while being a contributor to the nation at large.

Academy was started on 19th July 2014. It is supported by its knowledge partners of Hiregange and Associates, Chartered Accountants, Bangalore and Hyderabad.

The methodology of achieving this would be through: online publications of booklets, free e- books, and specific job oriented training in class rooms (also uploaded on YouTube for viewing by all) at present. Services to CA students/ staff, Colleges and Industry are also being provided. Monthly newsletter presently focused on Indirect Taxes to interested persons to spread the latest information is another initiative

Publications of Books and Booklets

The objective is to provide easy to read short aids for officers in the industry, practitioners and students at large.

- ✓ To get free downloads of the books published,
Click the below link: www.hiregangeacademy.com
- ✓ Hard copies of the book are also available for sale at our Hiregange Academy office at nominal prices.

Books Available as on date,

- Understanding Central Excise
- Understanding Service Tax Concepts
- Tips to draft effective opinions
- Beneficial Schemes under FTP 2009-14
- Due diligence under Indirect Tax
- Cost control in IDT
- Reverse Charge & Joint charge mechanism
- Job work under Central Excise and Service Tax

Our Services

- ✓ Course on practical theoretical knowledge to enable students to be job ready.
- ✓ Short term courses for graduates, under graduates in Commerce field.
- ✓ Similar courses for existing employees for industry and trade.
- ✓ Basic and advance level courses for professionals like Chartered Accountants, Company Secretariat, Actuarial, Advocates etc.
- ✓ Courses for trade association and professional institutions in the area of taxation.
- ✓ Industry specific training programme in Indirect taxes and Foreign Trade policy.
- ✓ Maintaining list of job ready employable person's database by Jan 2016
- ✓ Other training and skill development courses as may be necessary.

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Bird eye view of Goods and Services Tax (GST) in India

Introduction:

Presently under the existing taxation system for indirect taxes, number of indirect taxes are being levied and collected both from Central Government and State Governments on different activities undertaken.

Taking a cue from international best tax practices, and to ease out the complications and compliances under different indirect taxation laws and different statutory authorities, thought process was started to consolidate number of taxes in to one system of taxation uniformly across the country.

In that direction reforms were thought of many times and partial reforms were being undertaken in the respective taxation laws. The move towards introduction of Goods and Services Tax (GST) was made by the then Finance Minister Mr. P. Chidambaram in 2007-08 budget to introduce GST from 2010.

Though lot of effort went into it, towards latter part of 2016, we are still in the first technical step in the implementation process i.e. amendment of Constitution of India.

This article discusses the proposed model for expected GST as is mooted by the GST Constitution Amendment Bill and proposed GST law released for public comments.

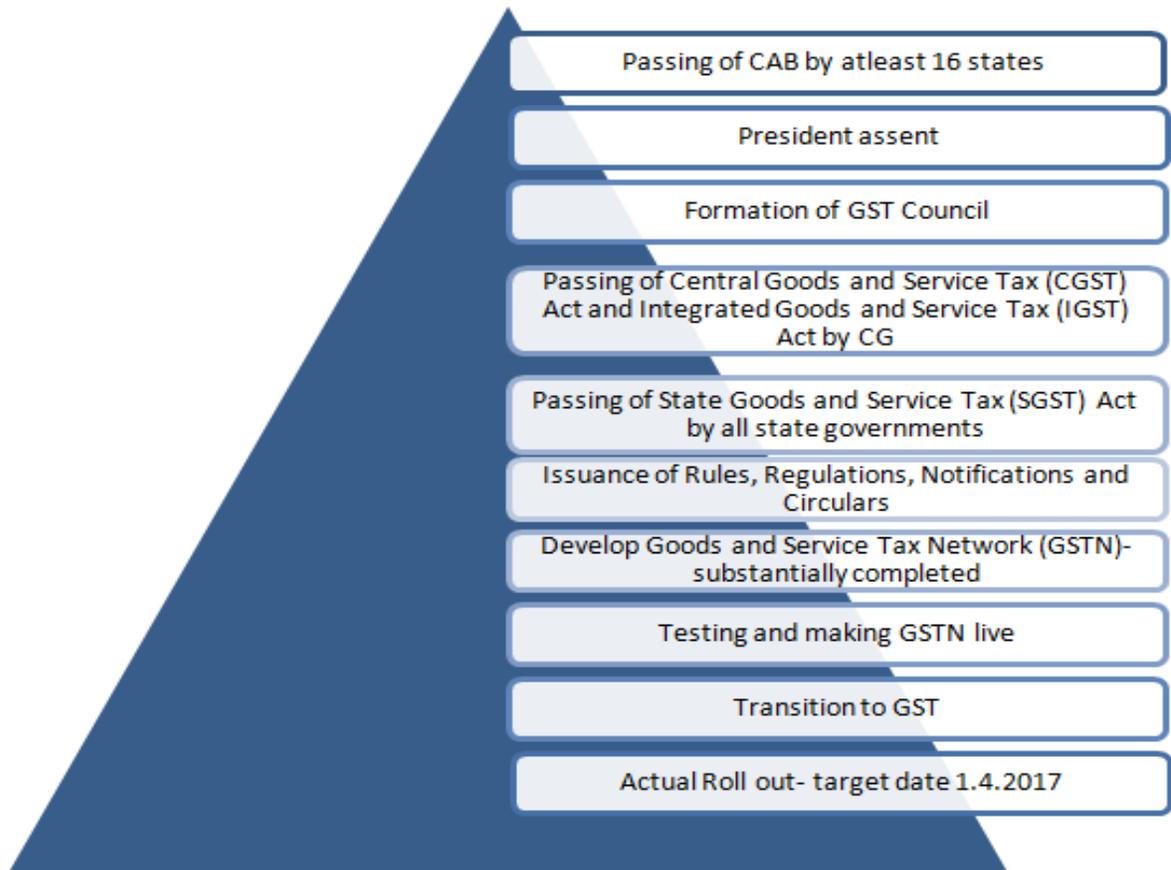
Passing of GST by Rajya Sabha

Long pending 122nd Constitutional Amendment Bill (CAB) was passed in Rajya Sabha on 3rd August 2016 further approval on 8th August by Lok Sabha on the changes made in the bill, giving way for concurrent jurisdiction for both Centre and State to tax under the GST regime.

GST is unified indirect taxes, with cross sectional credit. Existing taxes Central Excise, Service Tax & VAT etc. would be subsumed to be one GST. Under present regime, VAT credit cannot be used for payment of central excise/service tax and *vice versa*, however in GST regime there would be the levy of GST on all transactions and hence ensuring a smooth credit flow.

Introduction of GST would change the way business is done. It would throw host of opportunities and challenges for the business and it becomes imperative for them to gear up themselves for adapting the change.

Further Stages in rolling out of GST



Present Taxes:

Presently State Government are levying and/or collecting taxes such as sales tax called as VAT, entry tax, Entertainment Tax, Luxury Tax etc. Similarly Union Government is levying and collecting taxes such as Central Excise Duty, Service Tax, Additional Customs Duty and various types of cesses in the nature of Excise duties. Among them the major types of taxes on business transactions can be tabulated as follows:

Tax	Levied on -	Collected by -
State VAT	Sales or purchases effected within the State	Respective State Governments
Central Sales Tax (CST)	Sales or purchases effected in interstate trade or commerce	State Government from where sales are done.
State Excise	Manufacture of Alcoholic beverages in the state	State Government where manufacture happens.
Central Excise	Manufacture of Excisable Goods In India.	Union government
Service Tax	Providing of taxable service in taxable territory (India excluding J & K)	Union government
Additional Customs Duties	On goods imported into India.	Union government

Proposed GST Model:

Now 122nd Constitution Amendment Bill, 2014 is passed in the parliament containing proposed changes in the Constitution related to GST implementation. The highlight of the changes considering, GST model is expected to be as follows:

a) There will be three types of Tax as follows:

Type of Tax	Leviable on	Levied by
SGST	Supply of Goods, or of services, or both within the state.	Respective SG
CGST	Supply of Goods, or of services, or both within the state.	CG
IGST	Supply of Goods, or of services, or both in the course of interstate trade or commerce.	CG

b) In other words going by the types of transactions –

Type of Transaction	Type of Tax	Levied by
Supply of Goods, or of services, or both within the state (Same transaction will suffer both types of tax)	SGST	Respective SG
	CGST	CG

Supply of goods, or of services, or both in course of interstate trade or commerce	IGST	CG
Supply of goods, or of services, or both in course of Import into the territory of India	IGST	CG

c) There will be mechanism between the State Government and Central Government for distribution of the IGST collected by Centre as per the recommendation by GST council (constitutional body to be created after amendment to constitution). From the business entity perspective this may not have direct implications.

d) Subsumed in GST:

Central tax/levies	State taxes / levies
<ul style="list-style-type: none"> ▪ Central Excise Duty ▪ Additional Excise Duties ▪ Excise Duty levied under Medicinal & Toiletries Preparation Act ▪ Service Tax ▪ Additional Customs Duty - CVD ▪ SAD of Customs – 4% (SAD) ▪ CST (Administered by states) ▪ Surcharges ▪ Cesses 	<ul style="list-style-type: none"> ▪ VAT/Sales tax ▪ Entertainment tax ▪ Luxury tax ▪ Taxes on lottery, betting & gambling ▪ State Cesses & Surcharges in so far as they relate to supply of goods and services ▪ Entry tax

e) The proposed levy of GST will be based on **supply of** goods, or of services, or both. This will replace the concept of manufacture and removal of goods; sale of goods; and provision of service by the concept of **'Supply'** of goods and/or services.

Ambit of 'supply'

The taxable event under GST is supply of goods and/or services. The term 'supply' includes all forms of supply, such as sale, transfer, barter, exchange, license, rental, lease or disposal made in the course of business. Further also it includes importation of service with or without consideration. Transactions between principal and agents are deemed to be supplies.

'Supply' also includes specified transactions such as permanent transfer of business assets, temporary application of business assets to a non-business use, services put to non-business use, assets retained after deregistration, and supply of goods/services by a taxable person to another taxable or non-taxable person in the course of business. However, supply of goods to a job worker would not be treated as supply.

It is specified that, inter alia, sale of under construction properties, temporary transfer of intellectual property rights, works contracts (including transfer of property in goods involved in execution of works contracts), transfer of right to use any goods and development, upgradation, customization etc., of software would be supply of service.

GST related to Specific Products:

Though GST is to consolidate tax code on all products considering various political aspects of our country, certain specific products are dealt separately. The highlights of the same are as follows:

- a) Manufacture of alcoholic beverages for human consumption are kept out of GST. State Excise duty would continued to be levied by the respective state Government.
- b) On the other hand on Tobacco and Tobacco products Central Government would continue to levy Central Excise Duty (or under some other name) in addition to GST.
- c) Levy of GST on Petroleum products are postponed till that time the GST council recommends for its inclusion in GST. Till then States would continue to levy Sales tax and Centre would continue to levy Central Excise duty. The products are as follows :-
 - i. Crude petroleum;
 - ii. Diesel;
 - iii. Petrol;
 - iv. Natural gas; and
 - v. Aviation turbine fuel

Set off / Adjustment/ Credit:

Main objective of the GST scheme is to avoid double taxation and cascading effect of different taxes levied by states and centre. Therefore it becomes essential that set off / adjustment / credit of all taxes paid on both goods and services which are received is available to be used against the liability to be paid on goods and services supplied.

However as is put across in the model GST law, such seamless credit set off/adjustment/credit does not seem to be fully envisaged. Detailing and restrictions are to some extent given in model GST law and others are to be set out in Rules to be framed in this regard. As per the present understanding it is proposed to be in following manner broadly.

Type of Tax Paid	Tax can be adjusted against
SGST	Adjusted against SGST and surplus if any adjusted towards IGST
CGST	Adjusted against CGST and surplus if any adjusted towards IGST
IGST	Adjusted against IGST, CGST and SGST in the same order.

Enactment of Laws Governing GST:

As per the proposed scheme law for levy of CGST and IGST will be formulated by Parliament for levy and collection of CGST and IGST respectively. The tax also will be levied and collected by the Central Government. There will be common enactment for entire country. However from administration perspective the CGST or IGST credits of the states is said to be maintained separately registration wise (which will be one per state unless a person opts to have more than one registration if he has separate business vertical).

As regards to levy of SGST each state is going to enact law for the respective states based on the model law formulated by GST council. The levy and collection will be by the respective state legislation. Unless the states follow the model law in its true spirit, it may create disparities in the laws of different states, leading to different treatment of tax in different states.

Rate of GST and threshold exemption limit:

One of the essential aspects of GST is rate of GST. As per the present status, this is not yet finalized and has to be decided in GST Council by the voting system as is set out in the proposed amendments in the constitution.

However with the public debate, it is expected that the rate (both SGST & CGST together or IGST, as the case may be) to be in following manner-

- General Rate - between 18% and 20%.
- Concessional Rate – around 12%
- Precious Metals – between 2% to 6%

As regards to threshold exemption limit, as per the model GST law it is stated to be 10 Lakhs on all India basis. Industry feels that the said basic threshold is too low and it cannot work for various reasons.

Composition Scheme:

For the person who has taxable turnover **equal or less than fifty lakhs** is proposed to be given a Composition scheme wherein the composition tax rate as is fixed based on the recommendation of GST Council will have to be paid instead of regular rate of tax. The rate is expected to be between 1% and 4%.

The scheme will be subject to conditions which the law will provide for the same.

As per the proposed model GST law, taxable person who effects any inter-state supplies of goods and /or services is not entitled for composition scheme. Further it is said that a person having business in different places and separately registered all of them should opt for composition scheme. In other words a person cannot be in composition in one registration and outside in another registration. A taxable person who pays tax under composition levy shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit. However industry representation is being made to remove those conditions to enable the survival of small business man without breaking the chain of credit.

Registration:

Registration has to be obtained state-wise and not on all India basis. However within a state if there is separate business vertical option is given to register the same separately. The taxability is determined based on registration treating them as separate entity for supply of goods/services. Separate registration will be accorded by State Government and Central Government in each state, with mutual co-ordination among them.

Records and Returns:

The records though to be maintained as per the needs of the business, since GST is going to be technology based, all the transactions relating to GST is required to be uploaded into GST portal on periodical basis.

Further also there is requirement of matching of credits to the supplier's output tax to get the benefit of credit, otherwise of which the credit will be denied. Further also it is proposed that the credit will not be permissible unless the vendor deposits appropriate taxes into Government Exchequer. This will add difficulties in business since they have to ensure compliance of their vendor to get the benefit of credit.

Job work transactions

The principal has the option to send taxable goods without payment of GST to a job worker and bring it back, after processing, to any of his own place of business, for supplying such goods on payment of GST or export it. The principal also has the option to directly supply final products to end customers on payment of GST or export from the premises of job worker itself, subject to fulfilment of applicable conditions. GST credit is allowed in case of direct receipt of inputs or capital goods by the job worker, subject to receipt of goods back by the principal within specified period.

Impact of GST on Trade, manufacture, service:

The GST law in India would be a Dual GST. The Central Government and the State Governments will levy GST concurrently on a common base value. All goods and services, except for a few, would be brought into the GST base. There will be no

distinction between goods and services for the purpose of imposition of tax.

- Impact on Traders
- Impact on Manufacturer
- Impact on Service provider
- Impact on consumers
- Impact on Central Government
- Impact on State Government

1) **Impact on Traders:**

- a) **Tax on value addition:** The impact of tax on the wholesaler or retailer would be limited to the value addition. The tax paid at earlier stages (except SGST of other states) would be available as set off for payment of GST on supplies. Therefore traders would prefer to buy/receive supplies with invoice.
- b) **Reduce cascading:** Cost of products and services would reduce due to the cascading effect of tax being reduced.
- c) **SGST levy:** SGST would be levied on the local supply of goods within State. IGST (comprised of CGST and SGST) would be levied on interstate supply of goods. CST Act could be abolished in course of time and as a preliminary step the rate of CST could be brought down to 1%. Form C would be abolished under GST law.
- d) **No subsequent sale or sale in transit under the CST Act against Forms E-1/2:** This exemption as per section 6(2) of the CST Act may not be continued under GST levy.
- e) **Stock transfers:** Presently, stock transfer is done without charging CST against Form F. Under GST law, stock transfers from one State to other to one's branch or consignment agent might be treated as inter-State sale and tax levied thereon.
- f) **Stock transfers to branches/consignment agents within the State:** Under GST, these transfers could also be levied to tax, unless the BIN number of transferor and transferee is same.

2) Impact on Manufacturers

- a) **Competitive in market:** There would be a saving in taxes due to less or no restrictions in taking setoff of taxes paid at various stages of manufactures reducing the cost of goods sold. This would make them more competitive both in domestic and international markets.
- b) **Valuation of the supply of goods:** At present, excise duty is paid on the event of manufacture of excisable goods and VAT on the sale of goods. VAT/CST is computed on sale price+ excise duty paid. With the shift of taxable event from manufacture to supply of goods, the valuation of goods could be simplified. Under GST, actual value received as a consideration for the supply of goods would be subject to GST.
- c) **Cheaper exports:** The exports would be cheaper as taxes paid at earlier stages could be refunded to higher extent. [credit restrictions can lead to tax sticking]
- d) **Corruption:** The corruption faced by the manufacturers would substantially reduce over a period of time.
- e) **Transaction costs:** The transaction costs of compliance could reduce due to widespread computerization and online filling and filing of forms/payment of taxes and returns. However the huge need to upload all transactions may lead to the compliance cost for medium sector to rise and for small sector it may not be bearable.
- f) **Manufacturers under administration of State VAT officials:** Manufacturers having a value of clearances of less than Rs 150 Lakhs are exempted under present Excise law. The States could administer the Central GST of dealers having gross turnover of less than Rs. 1.5 crores.

3) Impact on Service Providers

- a) **Present destination based to consumption based levy:** Presently, service tax is levied at origin and is a destination based levy, the burden of which is borne by the end customer. Under GST, they would be taxed at the place of consumption.
- b) **Service tax-SGST levied by States:** Under GST law, the service tax would be levied not just by Centre but also by the States who would be empowered to levy SGST by amendment to the Constitution of India.

- c) **Taxes received by consuming State:** If services are rendered from one State to another, then tax would ultimately go to the consuming State.

4) **Impact on the Consumers:**

- a) **Reduction in price:** Generally the purchase price would reduce as tax content of most products would come down. But if a product has evaded tax completely then it may find increase. Further those items which are now taxable where tax rate earlier was zero may be more expensive as exemption and zero rated list of items may come down in the GST regime.
- b) **Transparency:** The tax paid would be clearly mentioned in the invoice given to the customer.
- c) **Options to customer:** There would be free trade and commerce between states and throughout the country which would provide more options to the consumer.

5) **Central Government:**

- a) **Increased collection of CGST and IGST:** The collection of taxes-CGST and IGST would increase when more and more assesses register and pay taxes due to simplified tax laws under GST regime.
- b) **Loss of CST revenues:** The CST which would be reduced to 1% and then gradually removed (may be within 2 years of GST implementation). **This maybe dropped in the final law.**
- c) **Refunds under GST:** The refunds which under Central excise and service tax law take long time in coming, could come faster.
- d) **Reduce corruption:** When the laws are simplified, then the chances of multiple interpretations would reduce, leading to fall in disputes and consequent litigation. Also the automation of the payments/returns filing and other compliances could mean that the interaction between the assessee and the department officers would come down to minimum. This would reduce corruption and increase ethics gradually.
- e) **Compensation for loss of revenues to States:** The compensation of loss of tax revenues to the States on account of implementation of GST would be an outgo.

6) State Government

- a) **Proliferation of computerization leading to fall in transaction costs:** Due to increase in computerization due to GSTN, the tax administration would be easier and cost of collection would be reduced.

7) Impact on the country

- a) **Increased FDI:** The Foreign Direct Investments may flow in an increased manner once GST is implemented as tax laws are one of the reasons foreign Cos are wary of coming to India in addition to high corruption levels.
- b) **Growth in overall revenues:** It is estimated that India could get revenues \$15 billion pa by implementing the Goods and Services Tax as it would promote exports, raise employment and boost growth. Over period the dilution of the principles may see that only part of this is accruing actually.
- c) **Single point taxation:** Uniformity in tax laws leading to single point taxation for supply of goods or services all over India. This increases the tax compliance and more assesses come into tax net.
- d) **Simplified tax laws:** This reduces litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities. Present model GST law appears to be much worse and an amalgam of the bad parts of VAT/ ST/ CE.
- e) **Increase in exports and employment-** GST could also bring raise in employment, promotion of exports and consequently a significant boost in overall economic growth and factors of production-land labour and capital.

8) Overall Impact

- a) **Change in law and procedure:** Since it is a major indirect tax reform in India, there would be new legislations and procedures. The entire indirect tax code will be a new one.
- b) **Change in tax-rates:** The standard rate of 12% for central excise, Service tax, along with residuary rate of VAT at 12.5-14.5% brings the overall rate to 25%-30%. But, post GST, it is likely to be in the range of 22%-27%; a net gain of

almost 6%-10%. Most of the dealers and consumers would experience the change in tax rates, either significantly or marginally. When the tax rates are increased it could lead to tax evasion as well.

- c) **GST based on HSN:** The central excise tariff based classification would no longer be applicable. It will reduce the interpretational issues in respect of class of commodities.
- d) **Availment of tax credit:** GST will facilitate seamless credit across the entire supply chain and across all States under a common tax base. At present no cross credits are available across central excise/service tax to local VAT/sales tax. Under the GST law, the input tax credit (ITC) (set off) would be given for Central GST against CGST and the States will give input tax credit (ITC) SGST to SGST. Cross-utilization of credit between Central GST and State GST will not be allowed.
- e) **Credits availment based on vendors invoices:** The credit of excise duty paid is available based on the excise invoice raised by manufacturer or service provider. The credit is available under the Service Tax law when the payment of invoice is made within 3 months of invoice date. In respect of joint charge and reverse charge, based on receipt of payment basis on basis of payment challans of the assessee. Under State VAT law, it is allowable on the basis of tax invoice. Under GST the credits could be availed based on the invoices of vendors under CGST and SGST. But the onus may shift onto the assessee to ensure that the amount of the CGST/SGST has been deposited to the respective Government treasury by the vendor. **This is not a legal provision and would be challenged.**
- f) **Avoidance of Double Taxation:** Presently, several transactions suffer VAT as well as Service Tax such as in case of works contract or licensing of software. This could be resolved in GST by redefining what is goods and service.
- g) **Changes in the Accounting Software:** Dealers and service providers need to modify/replace the accounting and taxation software. Though initially there could be investment costs, costs of training in GST of people at each level starting from junior/mid to higher level managerial staff, management group/stakeholders.

- h) **Training:** Comprehensive training will be required to the staff members of the business community, both at senior level and also at junior level. Further, the scope of such training should be extended to the marketing personnel, apart from accountants and legal department.
- i) **Competent Professionals:** There are specialized consultants for Excise Duty, Service Tax and VAT. With the GST, only a single consultant maybe required who can handle all GST matters. Compliance for the SME may necessitate competent tax preparers who are semi qualified.
- j) **Amending existing contracts:** Assessee has to put a clause to collect CGST and SGST extra as applicable in respect of existing contracts.

Conclusion:

In addition to the aspects covered above, the GST law also covers provisions on levy of interest, penalty, remission, audit, assessment, inspection as well as regular as well as alternate dispute resolution mechanisms.

The implementation of GST is expected to be from April 2017. More important, from the businessman and consumer perspective, this change is going to have substantial impact on the business as well as cost to consumers depending upon the structure of the business and location of business and consumer. Therefore it becomes essential to re-look into structure the business and location depending upon the assessment of implication of GST on each type of transactions. The impact analysis and planning for restructuring can be done only after the rates are finalized.

Impact of GST on Sales & Marketing

GST is not just a tax reform but it is a business reform. It shall change the way in which business processes are performed and the way in which the business transactions are undertaken. Although, GST will bring with it, both positive and negative aspects. However, the organizations that will plan its business processes better in a manner to best suit the needs of the GST regime, then such organization will have competitive edge over others. Therefore, it is of due importance that business house proactively re-structure its business processes and optimize its tax position to reduce the negative impact of the changing tax environment.

Sales and Marketing department plays a key role in any business as it has direct relation with the profit and cost incurred for making the outward supply. The main focus area of the business should be the sales as the Sustainability of the business depends it implies margin. To increase the sales in volume there is huge support required from marketing team. Taxes on sales may change the total view of customer/purchaser towards purchasing a product or not. Various key aspects that a business needs to take care of in the GST.

Understanding the current Sales:

The first stage of planning about sales in GST are knowing and understanding the Current sales. Whether the sales is the **Profit Maximization or Sales Maximization.**

For example: There are two kind of business:-

- a) There are certain businesses where objective is to increase the turnover but there will be less Profit.
- b) There are certain businesses where objective is to maximize the Profit though there would be less turnover.

After understanding the model of our business, it shall be important for the businesses to classify the targeted customers into various baskets such as:

- Organized/Unorganized
- Industrial or Retail Customer
- Domestic/Exports

- Related Party Sales

If currently local customers are targeted and business is restricted to locally only because other person has to bare the cost of Central Sales tax, then it need to revisit under GST since taxes charged would be available as IGST Credit to the customer.

Price Pattern-standard price or contract price etc.,

It shall be very important for the businesses to have suitable price pattern for their sales. Whether the standard price should be preferred or Contract Price?. In case of contract price which may vary from customer to customer or volume of business etc., suitable steps (including documentation) shall be taken to avoid the valuation disputes under GST regime.

Price Variation Clause

While determining the Price or making the agreement at the time of entering into an agreement every business must look into it regarding the clause of discount or price variation.

Issuing debit/credit note along with corresponding GST on it is permitted only before 30th September of subsequent year. Any variations shall be settled on or before that date to avail the GST benefit of reduction in liability or availing input tax credit. Otherwise it may cost to company.

As per Model GST Law the discount known at the time of supply only will be allowed as deduction from assessable value. Under GST Regime there is going to be tax even on advances for manufacturer and later point of time if customer/purchaser ask the discounts it would be very difficult to get the deduction unless the proper clause referred in the agreement.

Factoring in Price fixation:

Price may have been fixed factoring the existing taxes like ED, ST, VAT etc., which would subsume into GST there is possibility for reduction in cost (for instance earlier certain taxes are not available as credit but now eligible) similarly for increase in cost also (for instance GST rates may be higher side or exemption was not given etc.,). Price may have to be re-fixed considering the above impact. Further revision of price is also warranted In case contract price is inclusive of taxes.

Channels through Products/services are distributed/sold:

As currently there are no tax on stock transfer on being issuance of Form "F" and the sale are happening from depo in other state to avoid CST. However, As per Model GST Law stock transfer are being liable to GST and the same would be available as Credit to the customers. Decision regarding continuation of depo/warehouse outside the state (which may have taken only to pass the local VAT credit) may have to be re-assessed considering GST impact.

A business needs to better supply the goods from factory or business establishment. Currently the goods once removed from factory (even though sale is on approval basis) Excise duty is required to be paid, however, under GST 6 months time is given allowing the deferment of tax liability till the sale confirmation/approval by customer.

Sale Price:

It is very important that business have to revisit the existing sales price as in GST each and every credit is going to be eligible and there will not be much cascading effect. If the business utilizes that credit as margin which was not eligible under earlier law and now it is eligible under GST, they may lose the customer as the competitor is going to reduce the sale price due to availability of credit under GST. Hence, they need to re-visit the sales Price. Customers always try to compare the sale price of one Vendor with another vendor. Though initially there is going to be inflation but over a period of time due to competitive barrier there is going to be reduction in price.

Most unorganized/small business comes into tax net

As under GST there will be seamless credit as well as the Credit will be decided by Matching Concept between vendor and Customer, there may not be the existence of small or unorganized Players. The customers will not get the Credit unless vendor filed the Return as well as pay the taxes to the Credit of Central Government; hence the Customer may not prefer the unorganized/small players. To sustain in the Market they need to be organized as well as comply the GST.

Effect of Free Supplies:

As in Current Regime of Indirect taxes, the free supplies given by Receiver is not taxable to Service tax as there is no Consideration flows from the Service Receiver to

Service Provider. However, in GST there is clearly one clause inserted in statute itself specifying that same should be added to assessable value. Revisiting the tax clause agreements is needed to insert specific clause providing for reimbursement of tax on free supplies value since most of contracts provides for reimbursement of taxes on contract price but will be silent on free supplies component.

↓ in sales price - ↑ in sales & demand

The reduction in sale price is going to be beneficial to the business vertical whose objective of the business is turnover basis. After reduction in sales price due to availability of Credit, automatically sales may increase. This clause plays vital role as it could give the edge over the competitor. Therefore a business may have to relook whether the after there business could be converted from high margin basis to high turnover.

↓ in price of composite contracts

Under GST it is expected that the reduction in price of composite contracts is expected since fictional valuation/identification of goods/service component is no more required. For example, Service provider adopting the value under Rule 2A of Determination of value Rules, 2006 and tax on 40% value assuming the balance 60% is towards material but he also pays the Vat on 70% of value or more than that, ultimately a business pays the tax on more than 110% of value which is not at all justifiable. But in GST Business will be paying the tax only on 100% of value which will remove the valuation issues as well as multiple taxes. Due to the above clause in addition to the availability of CENVAT Credit, the price may go down.

↑ In cost of regular/common services

Further, there are certain expenditure incurred towards advertisement, rentals etc by every business in making outward supply. Those expenses are going to increase tremendously as they shall be paying directly at the rate of 12.5% to 22%.

Purchase from Composite Dealer:

Most of the business currently is purchasing from the Composite dealer who does not charge any tax but 1% of tax incurred in cost. Business is not eligible to take credit as well as has to incorporate the same as cost in selling price. Due to this business may

have to re-look into vendor management as the same would lead to increase in sale price and may have negative impact over the competitor.

Goods exempted under earlier law and taxable under GST may lead to increase in sales price as the earlier sales price was totally excluded from the taxes but in GST sale Price will be liable for taxes. Further, there is going to be huge inflationary cost at the beginning but at later point of time after realizing that due to availability of credit competitor has reduced the cost hence the business need to make the strategy around it.

Selling with a type of GST

A Business needs to sale the goods based on customer requirement with a type of GST either it would be IGST/CGST because same could be adjusted against the each other but CGST and SGST cannot be adjusted.

Change in working capital, Production, stock levels:

GST will be liable on even on stock transfer, hence there should not be excess in stock, further need to re-visit even the production. For example in existing regime the manufacturer/trader does not pay the taxes on advance and not liable on stock until it is removed, therefor Not liable to Excise duty. But in GST Regime he will be liable to pay tax on advance as well as on stock transfer. Hence, A business need to revisit the production process.

Revision in Sales Budget:

Majority of the businesses has the sales target at the beginning of financial year and generally it would be inclusive of taxes. The same has to be revisited as instead of 12.55 or 14.5% there is going to be GST 18% to 22%. Due to this sales budget need to be revisited as the sales price as well as sales volumes and taxes are going to be change tremendously.

Strategies to encash the advantages of GST:

One of the strategies to increase the production before GST and take advantage of GST. Because the goods produced before GST could be sold at less price and the could give the edge over competitor.

Further, presently most of the business are restricting their business due to cost of Central sales tax and losing the customers but in GST Business could be extended

according to ease availability to customers. Some of the credit which is not available currently could be eligible in GST. Hence the benefit of credit in GST can be passed on.

Customer Management:

Business need to be more organized because if tax neither paid nor return filed than customer may not get credit. If the business is not organized than it may lose customers. In GST credit would be given on matching concept basis, hence each of the business need to be organized/structured.

Compliance Rating:

There shall be compliance rating given to vendors in GST automatically which will be based on all compliance followed by that business. If the business does not follow the compliance under GST than it would be given as bad rating and marketing of that business may get effected due to that. Because each of the business going to re-visit the vendor management.

Taking Customer full details:

Supplier must take full details of customer in order to avoid the disputes regarding credit flow/disputes. If the something goes mis-match between the details entered by vendor and customer, it may lead to disputes regarding credit.

Reviewing the Customers:

If the business have the depot than existence of the customer needs to be looked into because in GST Stock transfer are liable to GST. Therefore, Comparison need to be made between margins from depot sales vis-à-vis cost incurred at depo. It is important to note that direct sales may be preferred in GST.

Interstate supplies can increase:

Interstate supplies could be increase due to cross utilization of IGST towards SGST as well as CGST. Unlike in existing law tax paid in interstate were neither eligible as credit nor were allowed to adjust the same.

Proactive awareness on competitor price:

Business need to be very much pro-active about the sale price of competitor. Because it may lead to loss of customer or gain of customer. One business must ensure that if they are using the credit eligible under GST Regime as margin and competitor has used reduction in sales price, then it may give a negative impact on the business.

Training to Sales/marketing team on GST:

In GST it is very important that each of the sales & marketing team knows about the impact of GST on the sale value because business could sustain only if there is sale. Training may also lead to better understanding in marketing.

Contract Re-alignment:

The business need to re-align the long term contract enter before GST. Tax clause need to be changed from existing taxes to GST and even rates needs to be incorporated. Further, discount clause needs to be amended as in current Regime of indirect taxes benefit of post supply discount are also eligible. But in GST unless it is known at the time of supply or Pre-supply, benefit would not be given. Even the clause of debit notes and credit notes of Price revision need to be visited as the same could be issued only up to 30th September. Even Target Discount or clause should form part of the Agreement or Contract or Purchase order. Transitional Contract must be realigning after considering transitional provision.

Other Aspects:

- Details of stock of the goods, value, credit amount, quantity, location etc. must be properly documented as the total credit available under existing law would be allowed to avail in GST. For enabling the Credit and minimizing the disputes regarding credit carried forward, business must have all the invoices and documents.
- Track of goods lying with Job Worker must be maintained. Because in GST While removing the goods to Job-Worker, both manufacturer as well as the job-worker needs to show in the stock in order to avail the exemption.
- The contract entered prior to GST, the clause of Old taxes would not be applicable and dispute may arise regarding the reimbursement of taxes. The contract may have be re-entered after inserting the clause of GST.

