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GST BUSINESS IMPACT ANALYSIS ON MANUFACTURING COMPANIES

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Abstract

GST is a taxation procedure for goods and services transported from one destination to other; it was discussed for years by the Government of India to get implemented and still now a pending case. Taxation and its associated governing laws, in the current scenario, is playing a significant role in the life of business, individual also for the government for the betterment of policies for social betterment. This paper is designed to provide an overview of GST Business Impact Analysis on Manufacturing Companies**.** The paper is made using exploratory research methodology using secondary data. The study lends information that, GST is beneficial for most of the Manufacturing Companies reducing overall cost of commodity to the great extent, however GST is not favorable towards agricultural sector, this is due to the fact that, as of now Indian government is not charging any tax on agricultural goods for domestic consumption, wherein, when GST is implemented, tax will be imposed on agricultural products also, this may lead to rising in the price of the agricultural products, which is considered to be basic entity for the survival.

Keywords*: CGST, SGST, IGST, VAT, CST, GST, Cost of Production, Indirect Tax*, *Impact of GST.*

Introduction

GST (Goods and Service Tax) is a major indirect tax reform going to happen in India. Various taxes, presently collected and levied by Central and State Governments will be subsumed in GST. Moreover, business will be able to take credit of inputs paid on goods as well as on services; this will result in reduction of cost of production. The change in tax structure is likely to have huge impact on Supply chain in India. With the implementation of GST, the companies will be free to set up their own warehouses to optimize cost and improve customer service. Sourcing, distribution and warehousing decisions which are currently planned on the basis of tax rate structure of the States, will be taken in future on the basis of leverage efficiencies, locations and other factors relevant for the business.

Supply Chain Management

- **Stock Transfers Taxable Supplies:** Branch and depot transfers will be treated as taxable supplies and accordingly IGST will be chargeable on such transfers made from one State to another. It will result in increase in working capital requirements as though the tax paid by receiving unit/depot is allowed as input tax credit but there will be a time gap between the time of payment of tax and utilization of its credit on subsequent sale.
- **Savings in Warehouse & Depot Management Cost:** With the elimination of multiple State taxes, the logistic companies will be encouraged to consolidate their warehouses instead of maintaining one in each State to avoid central taxes, levied at present. In order to save the CST burden, which was not available as credit to buyer many companies have set up warehouses & depots in many States. But in GST scenario, business strategy can be redesigned and supply can be made directly to distributor rather than keeping in warehouses, as the IGST charged on sale to distributor will be available as credit to him unlike that of CST. This redesigned strategy will on the one hand benefit the buyer as it will be entitled to claim input tax credit of IGST whereas on the other hand

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