

'Facilitating Trade and Global Competitiveness: Express Delivery Sector in India'

*Presentation on addressing State and local level
issues and concerns*

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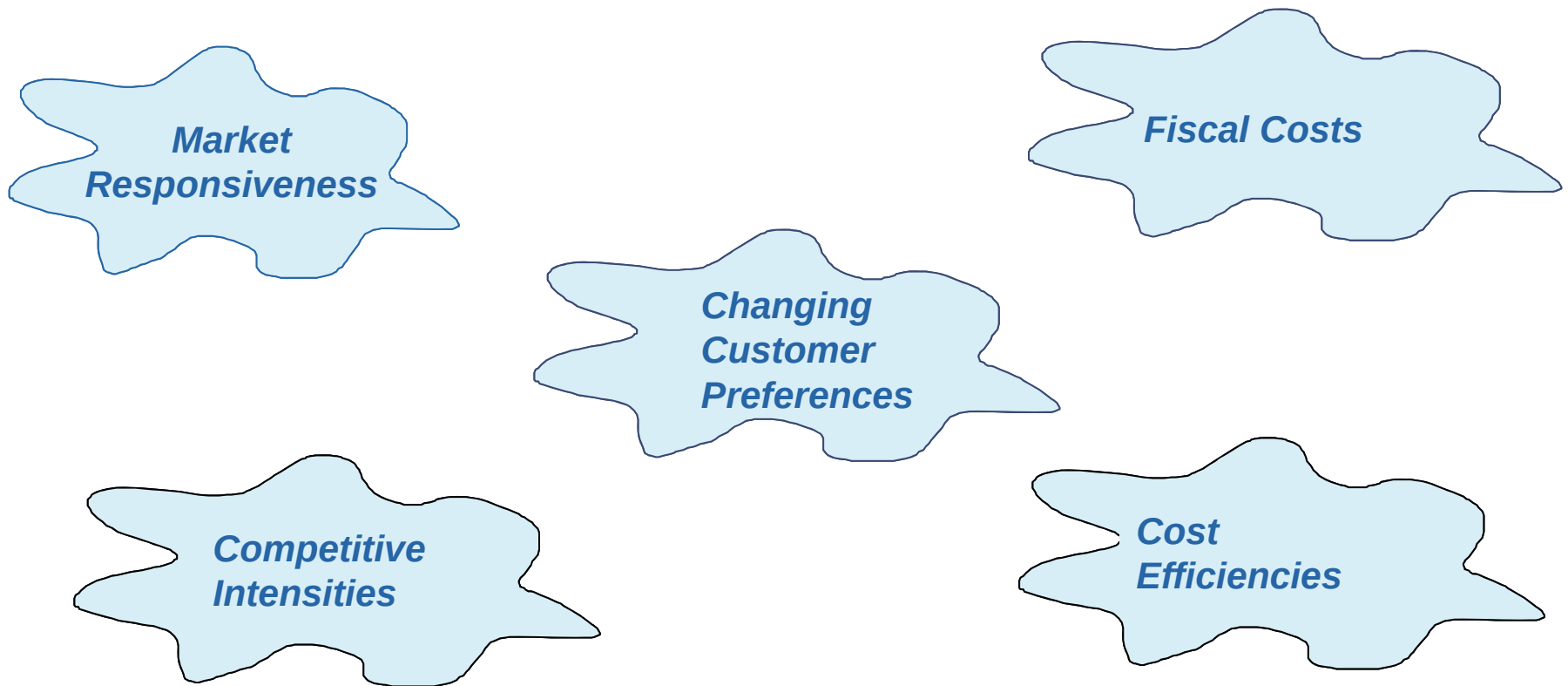


Agenda

- Factors affecting supply chains
- Fiscal costs – Key determinant of supply chains
- Current State and local level issues and concerns
- Dual GST implementation
 - opportunity for a single market
 - taxation of inter-State supplies of goods
 - tax compliance simplified
- Way forward

Factors affecting supply chains

Supply Chains are impacted by several forces, some intrinsic to the organization, some market specific and some fiscal in nature ...

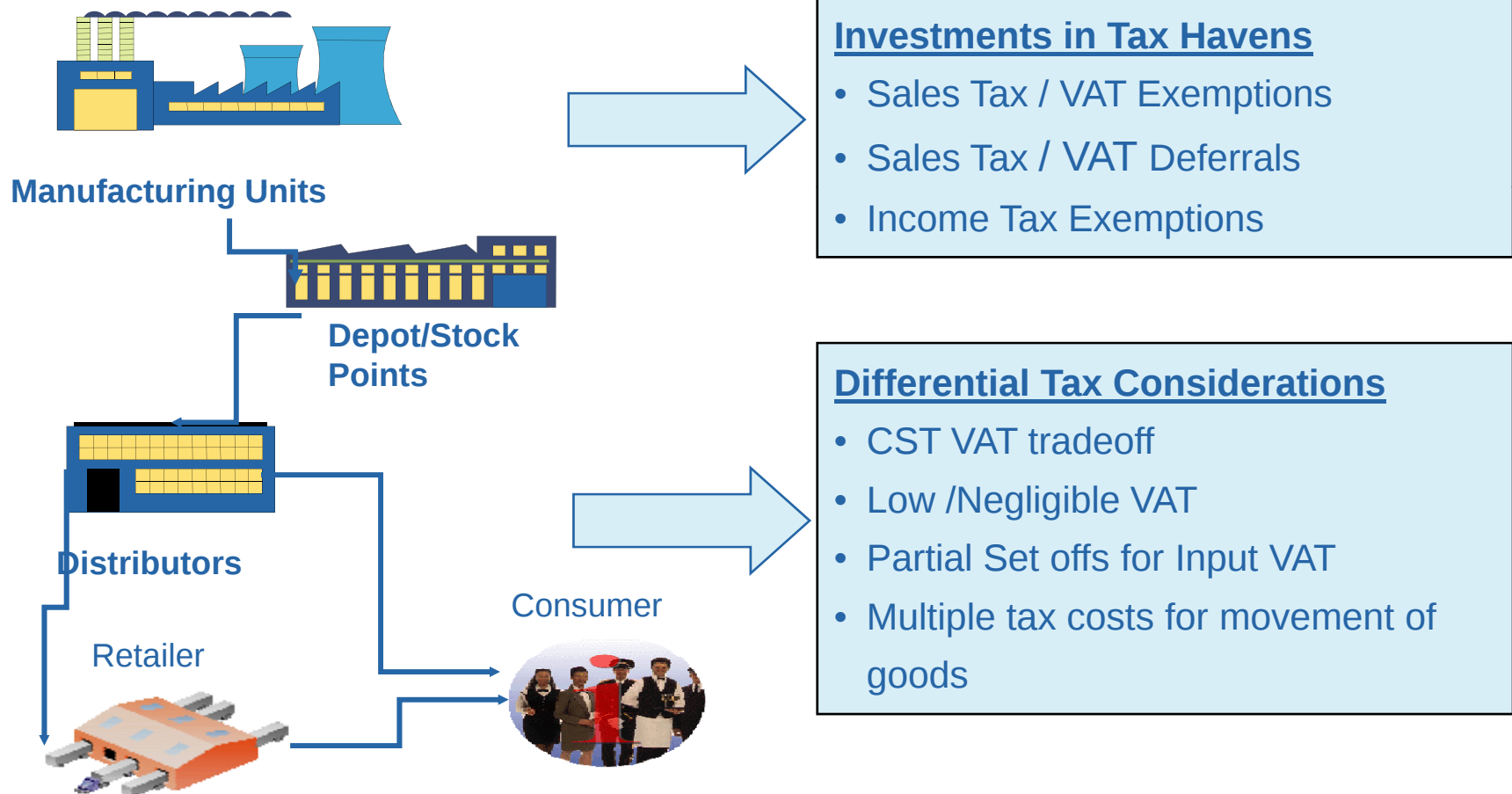


...with fiscal costs forming the bane of most supply chains

Addressing State and local level Issues and Concerns

Fiscal costs - Key determinant of supply chains

Fiscal costs have remained a key determinant of supply chains in India with manufacturing bases and distribution networks engineered to harness fiscal benefits...

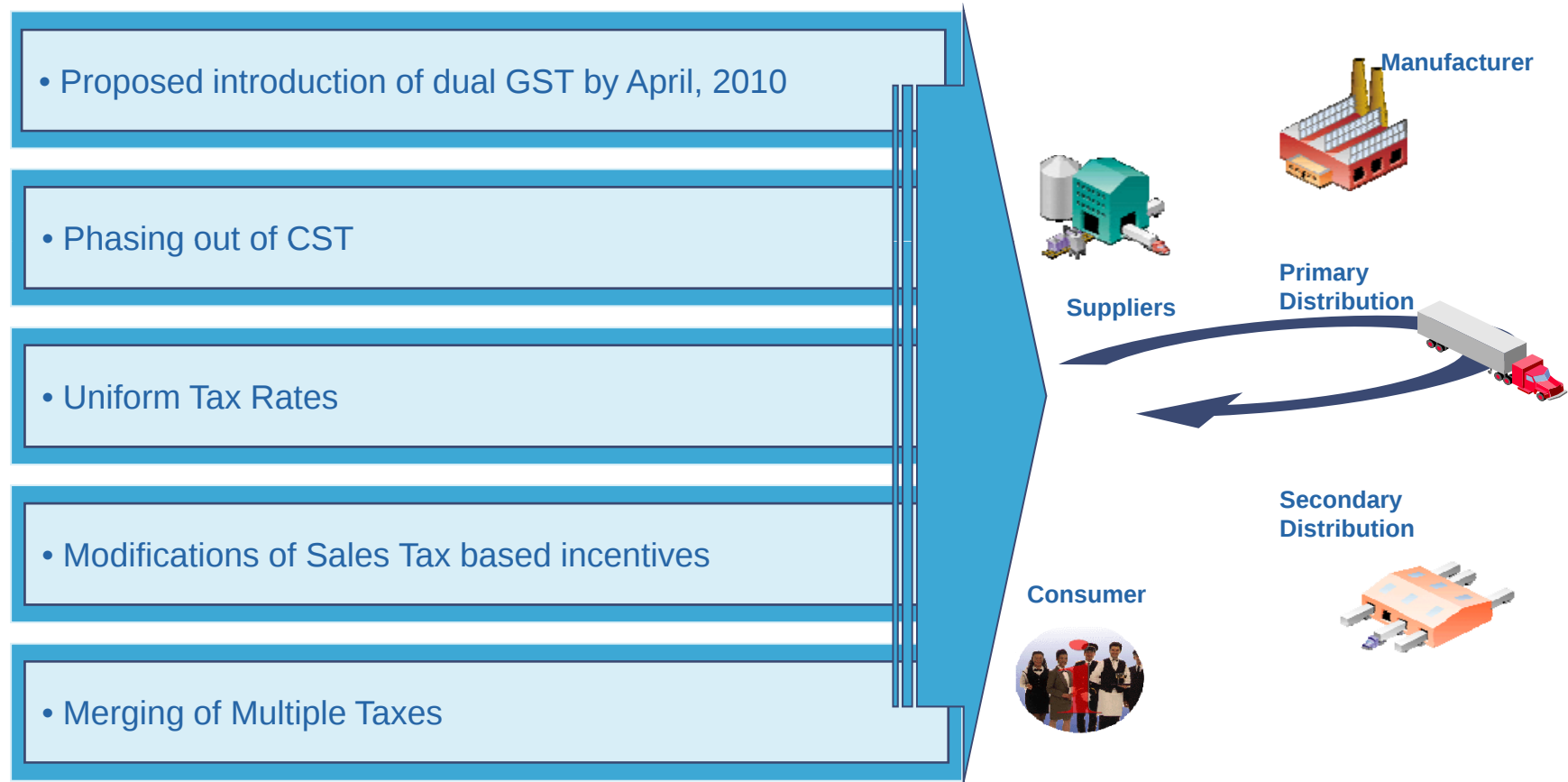


Current issues and concerns

- Irrecoverable tax costs due to State barriers – CST
- Complex compliance requirements – Regulatory forms such as C, F etc.
- Entry barriers at State borders
 - longer transportation time
 - Increased compliance costs
 - Hindrance to free inter-State movement of goods
- Local levies such as Entry tax, Octroi, Cess adding to cost of doing business
- Increased cost of compliance with multiple taxes and multiple regulations

Addressing State and local level Issues and Concerns

Supply Chain and GST Implementation



Dual GST – moving towards a single market

- Dual GST to foster a single market
 - Multiple taxes at the Central and State level to be subsumed into CGST and SGST respectively
 - Local levies such as Entry tax, Octroi, Cess etc. also to be subsumed in the SGST
 - Move from origin based taxation to destination based taxation
 - Reduced indirect tax costs
 - o Common tax base to remove cascading
 - o Availability of input tax credits across the value chain

Dual GST – taxation of inter-State supplies of goods

- The single market means – no barriers to inter-State trade
- Taxation of inter-State supplies of goods is thus critical in the dual GST model
- Alternate models exist but the idea is not to hamper inter-State trade
- Zero rating of State GST in the origin State and charging of State GST of consuming / destination State on inter-State supplies
- No check posts / physical barriers

Dual GST – tax compliance simplified

- Uniform compliance requirements across the States
- Uniform classification of goods and services across States
 - Minimum number of exemptions
 - Reduced tax disputes
- Thrust on IT based tax compliance methodology
 - E-filing of returns
 - E-payment facility
- Implementation of IT infrastructure in State Tax Administrations
 - Verification of inter-State transactions through electronic means
 - o Dispensation of Statutory forms such as C, F etc.
 - o Reduced compliance costs

Way forward

- Dual GST is an inflexion point
- It can potentially foster a common market for goods and services
- Issues and challenges in relation to taxation of inter-State transactions remain
- All stakeholders need to quickly arrive at a consensus on this issue

We are all stakeholders in ensuring that an 'express delivery' friendly GST is in place by April 2010!

Thank you

