

INDUSTRY NEEDS TO WORK CLOSELY WITH INDIAN GOVT FOR SMOOTH IMPLEMENTATION OF GST

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The new tax regime will contribute significantly towards every sector of economic growth, broad export expansion and without saying ample job opportunities. GST is collaborative approach and much awaited tax reform and it is a one more welcome step to move ahead towards more globalization. The roll out will yield many positive benefits but Companies will need to make major changes in their process



"We have emerged today into a new era of economic reform –with the introduction of the game-changing Goods and Services Tax (GST). This will stand as an exemplar of collaborative reform for the world on an unprecedented scale," said Shobana Kamineni, President, Confederation of Indian Industry (CII) commenting on the implementation of GST from July 1.

CII works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes. CII is India's premier business association has over 8,300 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 250 national and regional sectoral industry bodies.

According to Kamineni, going forward, GST will contribute to ease of doing business and accelerate new business ventures. "GST imparts significant competitiveness to Indian industry, thereby boosting the inherent potential of the economy to raise incomes, add to the formal economy and incentivise exports. GST also helps expand the tax net. Above all, it gives us tremendous confidence that the Government will continue to facilitate investments and simplify the business environment."

The CII President said that GST is based on selfcompliance with the input tax credit as a powerful incentive to businesses to step into the tax fold. "Input tax credit will curb inflation by avoiding tax-on-tax. We believe that most businesses would pass on the benefits of input tax credit to consumers so that inflation would be curbed," stated Kamineni

"Industry is prepared for the rollout of the GST. Large numbers of government officials, tax experts, and CII stand ready to support enterprises in its implementation," noted Kamineni, adding that initial glitches are expected to be quickly sorted out.

Reacting to the GST launch the ASSOCHAM said, "With retail prices growing by the slowest pace in the last four years by mere 2.18 per cent, it is the perfect time for the launch of the GST, from inflation point of view, as this particular macro

fundamental is placed at an ideal position for the roll out of the country's most ambitious tax reform.

ASSOCHAM is a not for profit organization, facilitating reach of India to all businesses around the globe, for wanting to do business with India. It is also referred to as the "Chamber of Chambers" having in its fold more than 400 Industry Chambers, Trade Associations and serving more than 4,50,000 Corporate Members from all over the country.

"The retail inflation, measured by the Consumer Price Index (CPI) was at a four year low of 2.18 per cent in May, 2017. Likewise, the Whole Price Index measured inflation was mere 2.17 per cent for the latest month, providing an ideal platform for the GST. With Monsoon showing a good spell in its initial phase, the prices should further ease for a large number of items. While the weighted average of net tax incidence would be lower post-GST, consumer prices in any case have seen a drastic fall in the last one year from 5.76 per cent in May 2016 to the 2.18 per cent in May this year. For consumer food prices, the drop in inflation on CPI scale has been even sharper from 7.47 per cent to 1.05 per year –on-year", ASSOCHAM Secretary General D S Rawat said.

ASSOCHAM also said while the GST may face some initial hiccups, the broad and the most important macro matrix is "perfectly placed". "So, even if there is some increase in some of the items because of shuffling of tax incidence, abundant supply side would ensure prices ruling easy".

There are several consumer related items which are witnessing a subdued inflation in the ration of 1-3 per cent and the situation is not going to change in any significant way in the months to come. "So, it all boils down to implementation. If we can make it smooth, hand holding the traders and increasing awareness at the consumer end, the dramatic shift in India's taxation should be a happy experience for the industry, trade and consumer," ASSOCHAM added.

Sharing his views Utkarsh Palnitkar, Partner and Head, Infrastructure, Government and Healthcare, Life Sciences, KPMG in India said " Established and organised life sciences companies have been studying and understanding the potential impact of GST for some time now, and have over this time invested in technology and infrastructure to be 'GST-ready'."

However, he said that the SME segment, especially small vendors, distributors/dealers are likely to be inadequately prepared for challenges such as the significant additional cost of compliance; loss of tax credits in case of improper returns filings and payments; the inevitable move towards technology adoption and digitisation of invoices, etc. While efforts have been made by the government and various consultants to educate the relatively smaller players in the industry, a clearer picture will emerge only once they face the situation in the real business environment, starting 1 July 2017.

Sharing his comments K Sivakumar, VP F&A, Waters India said "The new tax regime will contribute significantly towards every sector of economic growth, broad export expansion and without saying ample job opportunities. GST is collaborative approach and much awaited tax reform and it is a one more welcome step to move ahead towards more globalization. The roll out will yield many positive benefits but Companies will need to make major changes in their process. It is nice to see the border less operation. Looking for more robust supportive infrastructure to enable the organizations to feel more comfort to work on the transition. Also the area of concern is on the continued additional documentation work across the industries; sure the Government will work on this to address and make more tax payer friendly approach on tax filing. We are all stressed out, but sure it is a matter of time and sure, as an organization will overcome the challenge in implementing the process and adopting ourselves towards the new regime."

Commenting on behalf of the Pharmaceutical Industry, Glenn Saldanha, Chair, Federation of Indian Chambers of Commerce and Industry (FICCI) Pharma Committee and CMD Glenmark Pharmaceuticals Ltd said "FICCI would like to state that providing quality healthcare at affordable prices is the stated policy of the Government of India. Industry members fully support this and remain committed to partner with the Government on this agenda."

FICCI is the largest and oldest apex business organisation in India. A non-government, not-forprofit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry.

It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

Saldanha further said that the industry members of FICCI Lifesciences are completely prepared for implementing the new tax rates. FICCI has facilitated an interaction of its industry members with Department of Pharmaceuticals, NPPA, and the GST Sectoral Council for Drugs & Pharmaceuticals to get their implementation related queries resolved. Further, FICCI also conducted a workshop for its industry members in collaboration with external tax consultants to help them get clarity on billing, invoicing and tax rebates related matter. These initiatives helped our members to get clarity on all aspects of pricing and taxation under GST so that they can align themselves to the new structure and ensure availability of quality medicines.

GST is believed to be the most transformative change in the way business have been run in India thus far and to that end the coming times are going to be exciting. For Life Science Industry, it is expected to be relatively less disruptive and demand will likely pick up strongly in Q2 if the implementation post July 01 is smooth. The impact of GST on pharma sector will evolve. Overall it is a great step for boosting investment climate in the country. The requirement of tax compliance to various tax authorities will get reduced and is expected to bring efficiencies in supply chain by removing state barriers.

However, with the existing tax rate of 12% for pharmaceuticals, the net effective tax rate is slated to increase by 2.3% as compared to the earlier indirect taxes regime. It is pertinent to note that the prices of drugs in India has been under stringent price control for decades with the primary objective to ensure availability of quality drugs at affordable prices. The higher rates on drugs would therefore be contrary to India's drug policy as it would eventually lead to higher cost of medicines.

"We have therefore made representations to the Government to keep the GST rate for Medicines at 5% tax slab. This will not only help avoid any inflationary pressure in this essential segment but also in many cases will help reduce the medicines prices and act as a booster to the Government's priority of access and affordability," Saldanha concluded.

With the launch of GST the Government has shown its strong determination and stuck to implementing the GST with effect from 1st July, 2017.

The road ahead would require a lot of resolve by the implementing agencies like the Goods and Services Network, states and the industry. To sail through initial hiccups and successfully steer the ship of the economy, the Government needs to show the same determination and courage. A bold initiative like GST taken for the welfare of the country must lead to a grand success. Now it is the industry and other stakeholders who should work closely to implement it without any problems.

In this regard, the industry bodies have been working with Central and State Governments to ensure a successful rollout of GST. CII has undertaken to hold about 100 GST clinics across the country while also bringing out informative webinars for the benefit of industry. CII and Indian industry is committed to ensuring the success of GST for boosting India's growth and development. CII noted that it will continue its efforts to smoothen implementation and rationalisation in the coming months.