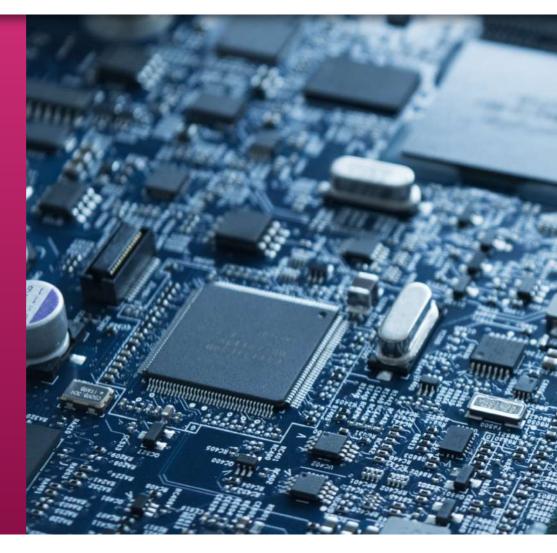
🥹 clear**Tax**

Rewiring the Engineering and Electronics sector to GST

AXIS BANK GST



The proposed GST regime will be positive for the Engineering and Electronics industry. After its implementation, the effective rate of taxation on electronics will reduce to cause a price decrease for customers.

Additionally, the implementation of GST will result in the removal of the one percent tax on inter-state transfer of goods which will create a national market for goods supplied. This obviously will benefit the sector too.

GST will also help in reducing logistic costs and the time taken for transfer of goods. Furthermore, business will also be easier thanks to GST's simplified structure and more input credits available for players in the segment.

Impact of GST

Particulars	Pre-GST	Post-GST
Rate of tax	Under current system, the consumer has to pay around 25% more than the actual cost of production due to levy of excise duty and VAT.	The expected rate of GST which will be around 18% will impact the prices that the customer has to pay.



Particulars	Pre-GST	Post-GST
Warehousing and logistics cost	Many Indirect taxes like entry taxes are levied while carrying goods from the manufacturer to the dealer which results in an additional cost at every stage.	These will get reduced under GST and the manufacturer will pass on this cost benefit to the consumers.
Credit of GST	On inter-state purchases, CST paid became the cost to the trader as the Credit was not available.	It will be available as IGST Credit.
Incentives/ Exemptions	Under the current system many handset assembling factories are offered exemptions from VAT.	Under GST the exemption might get withdrawn due to levy of a single composite rate.
Imports	For mobile phones CVD @12.5% is levied.	Imports of goods and services will be treated as intestate supplies and would be subject to IGST in addition to applicable custom duties.
Valuation of samples	In current law, goods removed on sample basis. Tax needs to be paid by adopting the nearest aggregate value.	Six months are granted to decide whether the good sold on sample basis has been approved or not which is beneficial for the manufacturer. However, after 6 months, tax needs to be paid if the same is still in the process of approval.