

Helping Logistics Companies Understand GST from Start to end



Introduction

Highlights:

- The implementation of GST will lead to lower transit time and thereby generate higher truck utilisation.
- This will boost demand for high tonnage trucks and lead to overall reduction in transportation costs.
- It will facilitate seamless inter-state flow of goods, which is expected to directly accelerate demand for logistics services.
- Impact: The logistics sector is largely fragmented and comprises many unorganized players. Several players in the unorganised sector avoid tax which generates a cost gap between them and the organized players.
- With the GST coming into picture, we expect an overall positive impact, with a reduction in the cost competitiveness as all the players will be brought under a uniform tax base, thereby improving growth opportunities for the organized players.

Segmentation of Logistic Companies:

- Warehousing
- Value Added Logistic
- Freight
- Forwarding

The Indian logistic sector is primarily categorized into four segments comprising transportation, warehousing, freight forwarding and value-added logistics.

The transportation which contributes maximum to the whole pie of logistic sector comprises various means such as road, rail, air and water. India being emerging country with prime dependency upon transportation through land, i.e. through road and rail together which contributes about 60% followed by Warehousing 24.5% comprising industrial and agricultural storage.

Impact of GST

Sr. No	Particulars	Current Regime	Under GST
1.	Registration	Centralized registration (Service Tax) with respect to PAN India contracts	All the delivery hubs/pick up centres to be registered by ABC Logistic (Model 2)
2.	Contracting with sellers	Contracts entered on a PAN India basis	Contracts on a PAN India basis to continue (Invoice to be from each registration)
3.	Billing and invoicing - for logistics	Invoices issued under a centralized system (from Karnataka)	Invoicing from each location of ABC Logistic
4.	Payment of taxes	All the services are subject to service tax at the rate of 15%	Services would be subject to CGST + SGST or IGST depending on the location of the contractual recipient
5.	Increased CENVAT Credit on account of capital goods	A service provider is not eligible to avail credit of VAT/CST paid on procurement of capital goods	The taxes paid would be available as credit
6.	Entry Tax	Entry tax is a tax levied on entry of goods (as specified) into the local area for consumption, use or sale, same is a cost	No Entry Tax

Sr. No	Particulars	Current Regime	Under GST
7.	VAT/CST on inputs procured at the delivery hubs	CST/VAT charged on local/interstate input procurements are not eligible as credit under the current regime	While there are minimal input procurement in the delivery hubs, the taxes on such procurement would no more be a cost in the system
8.	Increased CENVAT Credit - rent a cab	A service provider is not eligible to avail credit of ST paid on rent-a-cab services	The taxes paid would be available as credit
9.	Increased CENVAT Credit - Swachh bharath cess	A service provider is not eligible to avail credit of swachh bharath cess	Under GST, such cess would no more be levied

Present V/S GST Compliances

Sr. No	Particulars	Current Regime	Under GST
1.	Registration	<ul style="list-style-type: none"> - No requirement for obtaining State wise registration - Option of obtaining single or centralized registration for multiple places of business - Online registration through Automation of Central Excise and Service Tax (ACES) website - No provision for separate registrations of each business vertical in a State - No provision linking credit to registration. Courts have allowed pre-registration credit in certain cases 	<ul style="list-style-type: none"> - Separate registration required in each state for each legal entity - Concept of single/centralized registration for multiple places of business not provided - Registration to be done through GST common Portal ie Goods and Services Tax Network ('GSTN') - Separate registrations may be obtained for each business vertical in a State (optional) - Registration is mandatory for collecting and claiming GST credit - Provision for migration of existing registrants - no clarity on migration of centralized registration

Sr. No	Particulars	Current Regime	Under GST
2.	Filing of returns	<ul style="list-style-type: none"> - Centralized registration - one return for multiple places of business; Decentralized registration - separate return for each place of business - Half-yearly periodic return for service tax - Separate return for input service distributor ('ISD') to be filed half-yearly - Annual return recently introduced - first return yet to fall due - Revision of return can be made within 90 days 	<ul style="list-style-type: none"> - Statement towards outward and inward supplies to be filed by 10 and 15th of the succeeding month respectively - Monthly periodic return including details of inward and outward supplies, CENVAT credit, tax paid to be filed by 20th of succeeding month - Common return for CGST, SGST, IGST - Three returns each month per registration - Separate return for ISD to be filed monthly - Annual return reconciling value of supplies with Financial Statements to be filed per registration - No specific provision for revision of returns; Corrections/adjustments for past period to be made in subsequent/ future return(s)
3.	Payment of tax	<ul style="list-style-type: none"> - Service tax payments required to be made on a monthly basis, ie by 6th of succeeding month - One tax payment each month per registration. 	<ul style="list-style-type: none"> - Tax payments to be made before last date of filing monthly periodic return - Three tax payments per registration for CGST, SGST, IGST
4.	Debit / credit notes	No provision for issue of credit/debit notes under service tax law. Under VAT legislation, credit/ debit notes may be issued in situations where goods are returned post sales	Corrections/ adjustments can be made through credit/debit notes linked with original invoice
5.	Invoicing	<ul style="list-style-type: none"> - No requirement of State wise issuance of invoice - Details in invoice - registration number, recipient's name and address, description of service, taxable value, service tax payable 	<ul style="list-style-type: none"> - State wise issuance of invoice for each supply (to the extent such supplies are made from such state) - Details in invoice - invoice number, date, taxable value, registration number, buyer's address, place of supply, tax amount, tax rate, HSN codes for goods/ Service Accounting code for services

Sr. No	Particulars	Current Regime	Under GST
6.	Record keeping	<ul style="list-style-type: none"> - If records maintained under any other law, that would suffice for service tax purpose as well - No requirement to maintain separate records for each State/ business vertical 	<ul style="list-style-type: none"> - Books of accounts to include - record of manufactured goods, inward or outward supply, stock of goods, input tax credit availed, output tax payable - Separate accounts for each states / verticals registered under GST bearing unique registration number
7.	Audit	<p>No requirement for assessee to get his accounts audited</p> <p>Commissioner may carry out scrutiny, verification, checks of records at any registered premises</p> <p>Special audit may be ordered by Commissioner in case specified defaults by assessee to be conducted by Chartered Accountant or Cost Accountant</p>	<ul style="list-style-type: none"> - Assessee whose turnover exceeds prescribed limit to get accounts audited by Chartered Accountant or Cost Accountant Commissioner may undertake audit of business transactions at any place of business Separate audit for each registration No clarity whether single or separate audits for CGST, SGST and IGST