Merchandise Exports from India Scheme being re-designed to make exports GST-compliant;
working capital needs under new tax regime being deliberated upon

NEW DELHI, 17 May 2017: The Merchandise Exports from India Scheme (MEIS) is being re-designed to make exports from India GST-compliant and the issue of working capital requirements under the new tax regime is being deliberated upon by the government, said **Mr. Neeraj Prasad, Additional Commissioner, GST Cell, Central Board of Excise and Customs (CBEC)** while addressing **FICCI's Executive Committee Meeting** here today.

He said that the GST regime would help build competitive advantage by leveraging supply chain. Whilemanufacturing and trading activities at present times have a strong taxation orientation and the cost of logistics is high vis-a-vis the mature markets, adoption of GST will reduce the cost of production and distribution. It will also pave the way for the transfer of consignments directly from plant to the wholesaler and retailer, thereby eliminating the inventory cost in many supply chain operations.

Mr. Prasad said that technology in logistics, such as the use of advanced telematics, real-time vehicle tracking and route planning are likely to help manage and execute operations in a efficient and seamless manner and added that implementation of GST will finally set the ball rolling for the emergence of the hub and spoke model in the Indian transportation sector.

He said that job work under GST would encourage lean manufacturing even as the switchover to GST for the largely unorganized logistics sector would be challenging as the interplay of technology will intensify. GST, he said,would lead to re-alignment in the main verticals of supply chain and would bring down the dominating unorganised factor in the logistics business.

As regards the implications for State finances, Mr. Prasad said that the RBI in its latest report on state finances mentions that the introduction of the GST is likely to have an enduring impact on state finances as GST would lead to revenue expansion which would also possibly result in augmenting the shareable pool leading to greater transfer of resources from the Centre to the states. Furthermore, the Federal Reserve of USA, in a recent research paper states that the welfare enhancement through GST has the potential to expand the GDP by 3-4 percentage points.

Mr. Rajeev Agarwal, Senior Vice President (Outreach & Cpacity Building), Goods and Services Tax Network (GSTN), made a presentation on GST IT strategy. The mandate of GSTN, he said was to build the GST IT System to provide shared IT infrastructure and services to Central and State Governments, tax-payers and other stakeholders for implementation of GST; develop Common Registration, Return Filing and e-Payment services running on a Common GST Portal; integrate Common GST Portal with existing tax administration systems of Centre and States and build efficient and convenient interfaces for tax payers.

Sharing the GST Status Update, **Mr. Harsh Mariwala, Chairman FICCI's Task Force on GST & Chairman, Marico Ltd,** said that FICCI will be conducting three-day workshops on GST compliance for industry. FICCI, he said, would conduct training sessions for trade and industry starting from the first week of June. He added that FICCI has submitted compliances issues for the consideration of the government in some of the key sectors such as banking, financial, insurance, textiles, exports, ITes, transport and logistics.

Mr. Mariwala said that the Finance Minister was treating rates on a mechanical basis, which was a positive sign for industry as it meant current excise and VAT rates were being considered for fixing the tax slabs in GST. The GST Council's meeting, which is scheduled for the next two days, would primarily discuss the tax rates and exemptions under GST. He added that there would be disruptions in the implementation phase of GST and industry should prepare for it.

He said that FICCI was playing the role of a facilitator and disseminating information via various forums such as seminars about GST and helping industry to cope up with compliance issues. He added that the third series of interactive sessions on GST with KPMG was in the offing. Also, FICCI was releasing a monthly report on GST updates, which was being circulated among industry members.

Alluding to the issues, challenges, concerns and opportunities in the new tax regime, **Mr. Sachin Menon, Co-Chairman, FICCI's Task Force on GST,** said that the pre-requisites for smooth transition to GST were maintenance of level of inventory at each location and whether pricing of transition stock necessitate any change; co-relate closing inventory with excise invoices or other invoices and determine the extent of eligible credit; carry forward of credit allowed of tax reported in last return and ensure all invoices for goods and services received before appointed dates are accounted for in the last return; rejig of business processes – advance receipts, debit/credit notes, raising of PO, customers/vendor communication; devise strategy for pricing and promotional/incentive schemes across value chain (depot, distributor, dealer and retailer); and quick implementation of IT changes and IT to ensure smooth compliance process.

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