Goods and Services Tax: The year gone by and what lies ahead for the retail sector
Foreword

GST is touted as the biggest tax reform implemented in India, thus far. After several rounds of deliberations in the Parliament, GST was finally rolled out on 01 July 2017, replacing a thicket of indirect taxes. Although what emerged at the end may have fallen somewhat short of the promise of a ‘single tax’ and ‘simple tax’, GST has got a thumbs up from nearly all sectors of the economy.

The magnitude of change that GST has brought, compelled Indian enterprises across the spectrum, from multi-billion dollar conglomerates to our friendly neighbourhood mom-and-pop stores to relook at their ‘business-as-usual’ approach. From remodeling their supply chains, configuration of ERP systems and restructuring of agreements, GST has been successful in creating its image as a key driver for decision making. GST has had a multi-fold impact on nearly all the sectors of Indian economy, whether retail, manufacturing, telecommunications, banking, etc. With the expectation of a seamless flow of input credits, consequent price reduction, barrier free movement of goods pan India, GST aims to boost the Indian economy by causing a critical shift from an unorganised to organised sector.

The retail sector is one of the key sectors in India and also one of the largest in the world. The Indian retail industry is expected to reach USD1.3 trillion by 2020 at a compounded annual growth rate of 16.7 per cent. Further, India is the fifth largest global destination in the retail space and ranked first in the Global Retails Development Index 2017*. Accordingly, the sector is likely to play a vital role in furthering the country’s aspirational economic growth and developmental agenda while creating employment opportunities for millions of Indian youths in the coming years.

The Indian retail market is divided into an ‘Organised Retail Market’ which is valued at USD60 billion which is only 9 per cent of the total sector and ‘Unorganised Retail Market’ constitutes the remaining 91 per cent of the sector#. Further, modern trade is likely to expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent^+. India is further expected to become the world’s fastest growing e-commerce market and the digital transactions in India is expected to touch nearly USD100 billion by 2020~.

The impact of GST has been significantly felt in the rapidly growing retail sector. It has provided opportunities galore to the retail businesses, to expand and rationalise their value chain by re-designing operating models/ processes, supply chain architecture, product lines and promotional marketing schemes.

The objective of this thought leadership is to elaborate on the key impact of GST on the retail sector over the past year.

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* Retail, IBEF, January 2016
# Indian Retail Industry - Structure & Prospects, Credit Analysis & Research Limited, June 2017
^ Retail Industry in India, IBEF, December 2016
~ E-Commerce, IBEF, June 2018
GST footprint in the retail sector

With the advent of GST, the retail sector has undergone a paradigm shift during last one year. From supply chain to promotional strategies to compliances, GST has impacted nearly every cornerstone of the retail industry. Barring a few hiccups in the initial period, the impact of GST has overall been positive on retail as it brings down the indirect cost, increases supply chain efficiency and facilitates seamless input tax credit.

As regards supply chain, GST has provided an opportunity for consolidation of warehouses, in order to make it more efficient and effective. As a result, the average size of space up-take has increased to 90,000 sq. ft. from around 75,000 sq. ft. during the first half of 2017*. The percolating impact can also be witnessed in the increasing real estate prices in locations at the center of the Indian landscape like Indore, Bhopal, etc. Thus, the businesses in the past one year have been compelled to review both their up-stream and down-stream strategies in line with the new changes compelled by GST.

GST rate structure that has been implemented has multiple slabs for goods and services. Many of the products were earlier classified under the higher slab rate. However, based on representations from retail industry, the Government stabilised GST rate structure for retailers by pruning down rates for approximate 400 products and services over the last one year right from refrigerators to soaps.

Post GST, the marketing strategy and discount policies have also undergone a significant change. With the implications on free of cost supplies, post-sale discount etc., retailers have been compelled to re-think their promotion and marketing strategies for tax optimisation.

On the other hand, it has been challenging for the sector to adapt to the new compliance regime, consisting of monthly returns coupled with matching concept, generation of E-way bills etc. Further the e-commerce sector, which is seen as the future of retail in India, witnessed special provisions like tax collection at source (TCS), which created an initial rumpus in the market, considering the additional compliance burden attached to it.

The retail industry has also been closely monitored by Anti-profiteering authorities under GST. As a result there have been spate of orders by the Anti-Profiteering Authorities on retailers. Some going in favor and most against.

In this backdrop, this report attempts to summarise the impact of GST on retail sector. On the final analysis, it emerges that in order to keep abreast with the new tax regime, optimal use of tax technology, restructuring of supply chain, re-modelling of marketing schemes, keeping track of frequent rate changes and resulting profiteering impact are the key GST imperatives for the retail sector.

* India Industrial and Logistics Market View, CBRE, 2018
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Frequent rate changes
Introduction

Though the new GST regime has brought down the tax rates, still the GST rates in India are slightly higher as compared to the global average of 16-20 per cent. A multi-rate GST is an uncommon sight on the world map. According to the World Bank’s Biannual India Development Update Report published in March 2018, 49 countries use a single rate, 28 use two rates and only five countries including India use four rates. India was also expected to opt for a single rate implementation. However, the GST rate structure that has been implemented, has multiple slabs for goods and services, without an explicit roadmap for the unification of the rates.

Under the erstwhile regime, most of the retail products were subject to indirect taxes of around 30 per cent (comprising of Excise Duty, VAT/ CST, Entry tax, etc.). Since the aforesaid taxes have been subsumed into GST, tax costs have generally reduced. Further, under the pre-GST regime, Service tax paid on various input services like rent, transportation, etc., was a cost for the retailers. Similarly, Excise duty levied on manufactured goods/ CVD levied on imported goods was a cost for retailers. As most of these taxes have been subsumed under GST, there is no blockage of input tax credits, thereby reducing the cost of operation for the retailers.

Rationalisation of rates

Since the implementation, the Government has revised rates of most of the key products sold by FMCG and retail sector. Given how competitive GST rates are at the international level, the industry was expecting a further rationalisation in the rate structure. On realizing the issue, the Government has pro-actively reduced the GST rates, especially for the commonly used items like furniture, toiletries and select electronic items.

Frequency of rate changes

Though the intention of the Government is to pro-actively respond to industry concerns, keeping pace with frequent change in rates has been a challenge for the sector. The GST rate schedule for goods and services was first released only in May 2017, less than 50 days before the launch of GST. As a consequence, the industry had very little time to analyse the classification of the products and upgrade their IT systems to reflect correct GST rates on the invoices. Further, subsequent feedback from the industry and public led to frequent changes in GST rates, post GST implementation. The magnitude of change in the rate structure can easily be understood by analysing the outcomes of 23rd and 28th GST Council meeting, held in November 2017 and July 2018, wherein the products falling in 28 per cent bracket were pruned down from 228 to 37.

While the reduction in rates was a welcome step by the Government, the reclassification of goods and re-configuration of IT systems, was a big challenge for the retail industry.

Technological challenge and reprinting of Price

The retail businesses had to modify their ERPs each time any change in the rate was announced. Another consequence of such frequent rate changes has been the impact on pricing decisions. In light of the anti-profiteering provisions under GST, the frequent change in pricing and reprinting of Maximum Retail Prices (MRPs) on unsold stock caused challenges (for instance, overnight reprint of MRP on stocks kept at multiple locations or in transit)
Classification issues

The existing four-tier GST rate structure has led to classification disputes. The ambiguity surrounding the classification of products has also added to the retailers’ woes. Several products are capable of dual classification in absence of any specific clarification/precedents. For instance under GST, FMCG sector continues to struggle on classification of products like semi-cooked frozen foods (raw meat vs. processed meat), food drinks vs. energy drinks, chocolate barfi whether it should be classified as chocolate or barfi etc. Further in many cases, description in rate schedules are not aligned with HSN description leading to ambiguity in classification of products.

What lies ahead?

With GST maturing over the past year, the rates have, more or less, been stabilised by the Government. It is expected that the Government would further take steps to unify the rate slab in a phased manner, with unification of 12 per cent and 18 per cent slab rates into one being the first step. Further, the Government is expected to release more clarifications in the coming year regarding the classification of products, capable of dual classification to curb unnecessary litigations in the future.
The compliance conundrum
Introduction

GST was introduced with comprehensive return formats (GSTR 1, 2 and 3) with an invoice level matching concept, wherein the taxpayers were required to upload invoice level data on the portal and subsequently, match the same with the input data for availing credits. Such a system was introduced with an objective of making India’s tax eco-system more transparent and to bring down the time and cost of assessments. Further, the law mandated businesses to take separate registration in each state.

Compliance for small and medium scale retailers (MSMEs)

The retail sector was initially averse to such a comprehensive compliance system, not only because of its complexity but also because it mandated the adoption of minimum tax technologies for a business to sustain under GST. The MSMEs struggled with the implementation of GST, since most of these businesses could not afford computers, software solutions and commensurate manpower for compliance. Fortunately, the Government realised these issues and changed the threshold limit for dealers operating under composition scheme (a simplified compliance tax system) to INR1.5 crores alongside a quarterly return facility for small tax payers having turnover below five crores. Recently, this compliance requirement has been further relaxed in 32nd GST council meeting, by replacing quarterly return facility with an annual return and a simple declaration.

Compliance for large scale retailers

Given the limited time for implementation, the large retailers struggled with re-vamping their ERP systems in line with GST. The new tax impacted almost every module existing in ERP – vendor master, customer master, rate master, product master, etc. The fact that detailed data had to be uploaded on GSTN portal, there was a requirement to create accurate tax specific data from the ERP systems rather than trying to compile the data at a later point for compliance. Since the changes in ERP require a coordinated effort between tax, IT and other departments, GST implementation surely found itself on the priority lists of all businesses during the implementation phase.

Multi-nationals with legacy systems

The three tax structure (CGST, SGST and IGST) was too complex for ERP experts to incorporate in the Global ERP structure. Accordingly, few industry players were forced to move away from the Global Platform(s) and identify local workarounds to ensure GST compliance.

Technical issues on the GSTN portal

Considering the adaptability of the GSTN portal to the ever-increasing data from tax payers, the implementation of compliance system has been quite eventful during the last year. The technical issues on GSTN portal such as glitches in logging onto the GSTN portal, delay in reflecting payments, disruption in uploading heavy files, etc., nearly put a halt to the compliance cycle in the initial few months. As a result, each filing due date was followed by a notification extending the deadline.

The good thing was that the Government realised the hardships caused to the industry due to such technical issues on the portal. It was decided to introduce summary returns in place of input and detailed monthly return and put the matching concept at abeyance. GST Council has, after lot of deliberations, approved a new and simplified ‘Upload, Lock, Pay’ return system, which is likely to be implemented with effect from 01 April 2019 in a phased manner.

E-way bill system

Another significant compliance which affected the retail sector was E-way bill system. The said system was introduced to replace state-specific manual waybills. On the launch day, the portal crashed on account of over load, bringing the transportation of goods to a standstill. Over a period of time, the situation has improved to a great extent, given that the Government reintroduced E-way bill system successfully in a staggered manner and after adequate testing of portal.

Other issues

In addition, issues like linking of credit notes to the original invoice, restrictions in setting off credits, no provision to file revised return created a challenge for the businesses in order to be fully compliant with GST.

Way forward

The new simplified return filing process should be released with sufficient time for the businesses to transition. The Government must consider the efforts which the industry would have to undertake to re-align the ERP systems to the new return process. Further in order to ensure a successful transition, the Government should introduce the new return process only after adequate sand-box testing of the portal. Once the said measures are taken care of, the concept of compliance rating for tax payers, based on timely compliances can also be implemented.
Promotional schemes
Introduction

With the advent of GST, most retailers announced discounts, mostly in a bid to de-stock, ahead of the GST roll-out. It was feared that the prices of the products, especially white goods, would undergo change under GST regime especially since most of the goods have suffered first level tax under the old regime.

Over the past year, it has been observed that GST has impacted the promotional schemes of the retailers to a great extent. The retailers have been forced to re-look and re-define a completely new promotional strategy.

Reversal of credit on free of cost supplies

The most common promotional policy, ‘Buy one get one free’ had to be reconsidered by businesses on account of GST implications. Under GST, though the product supplied free of cost remains tax free unless supplied to a related party, there is a specific provision which restricts input tax credit on goods disposed of by way of gifts. As a sharp contrast to the erstwhile provisions, the retailers have been in a fix to reverse entire input tax credit with respect to products supplied free of cost. There had been contrasting views on whether such free of cost supplies, which are given free on a condition of purchasing one merchandise, are really free and would qualify as gifts since these are not free gifts in substance and are merely packaged in the form of a gift.

To overcome this encumbrance, some of the retailers had shifted their promotion strategy from a ‘Buy one get one free’ to ‘Buy one get other on discount’ or ‘Buy two at the price of one’ policy. This way, some retailers were adopting a position not to reverse the input tax credit. Fortunately, the Government has recently issued a circular in this regard. It has been clarified that such a scheme is not an individual supply of free goods but a case of two or more individual supplies, where a single price is being charged for the entire supply. Accordingly, there should be no reversal of input tax credit on account of ‘Buy one get one free’.

Post-sale discounts

Post sale discounts have also been a critical point of discussion under GST. Volume discounts, which are common in retail and wholesale businesses are usually provided by the suppliers, after the sales has been effected. Under GST, tax adjustment on such discounts is allowed if such discounts are established as per the agreement/policy and are known at the time of sale, specifically linked to the relevant invoices.

While legally GST allows for a deduction for post-sale discounts, implementing the conditions for claiming deduction at the ground level/commercially, poses a big challenge for the industry. To illustrate, different promotional schemes are launched throughout the year to push sales, and it is very difficult for companies to incorporate terms of all such schemes in the agreement with distributors/retailers. Similarly, linking volume discounts (say for a quarter) with all invoices issued during a quarter, is also a challenging task.

In the absence of guidelines for implementing these conditions coupled with adverse advance ruling on the subject, the industry at large is reluctant to avail GST benefit on post-supply discounts. In fact, the businesses are also mystified with the question of claiming input tax credit on the full value of received service, without excluding the secondary discounts passed on by way of issuing commercial credit notes.

Much recently, an advance ruling has held that the tax payers can only avail proportionate input tax credit i.e. credit attributable to invoice value less discounts, as the tax payer would have made payments only to the extent of invoice value less discount.

What lies ahead?

GST has posed a challenge for the retailers in effecting promotional and marketing strategies during the past year. With passage of time, recent advance rulings and anti-profiteering orders, it is expected that the retail sector would get more clarity on the best practices which can be adopted to promote their products without any adverse tax impact.
Supply chain
Supply chain under GST

GST has necessitated changes in the supply chain from procurement, storage to logistics in the retail business. It has provided an opportunity for businesses to revisit their procurement-to-pay and order-to-cash processes amongst others in order to derive the maximum benefit from the new taxation regime.

Impact on up-stream and down-stream partners

As regards upstream transactions, it was pertinent for the businesses to update their vendor masters in line with GST for proper recording and disclosure. Since matching concept under GST involves interaction between the supplier and the recipient, it became important to choose the right vendor from a GST perspective. It is for this reason that for the first time, we saw businesses taking responsibility to educate the vendors about GST (relevant rates and provisions) through trainings and vendor communications. Similar changes were experienced in downstream process, right from updating the customer masters, communication and trainings (handholding) to the dealers/distributors.

Warehousing

There are primarily two types of costs involved in supply chain - fiscal costs (Central and State taxes) and physical supply chain costs (transportation, warehousing costs, inventory, etc.). Central Sales Tax (CST) was levied on inter-state transfers at 2 per cent (subject to issuance of Form C). The said tax was a direct fiscal cost for the businesses since CST was a non-creditable tax. Accordingly, the location of the warehouses and branches were planned in a more fragmented and distributed manner in order to avoid CST blockages. For instance, if a retailer located in Delhi wished to procure material from a manufacturer in Maharashtra, then the manufacturer used to stock transfer the goods to their Delhi warehouse (against Form-F with no CST blockages) for onward sale to retailer under a creditable VAT invoice.

Under GST, all inter-state supplies are subject to payment of IGST, which is a creditable tax. This availability of credit has given an option to the businesses to close down the unnecessary warehouses/registrations, which were opened merely to transfer goods to avoid CST cost and associated paperwork. Transfer of goods has surely become simpler with availability of tax credit, thereby paving the way for consolidation of supply chain in concentric circles rather than being restricted to state boundaries. With no requirement to operate extra warehouses and centralisation of procurement, GST enables the businesses to achieve cost efficiency in their operations and thereby transferring this benefit to the end consumer.

Potential benefits of centralized procurements

Centralization of procurement for a business unit comes with many potential benefits, including reduced pricing due to increased size of orders, portfolio expansion, quality improvement, increased forecasting capabilities, improved inventory management and capacity expansion. Another potential benefit of consolidating warehouses into large ones is technological sophistication, achieved by deploying state-of-the-art planning and warehousing systems which were not feasible in smaller, scattered warehouses. At the same time, there is a saving with respect to IT costs of deploying ERPs at many small warehouses. This has further paved the way for improved service levels at lower cost in the overall supply chain.

Logistics

A rationalization similar to warehousing has also been witnessed in distribution and transportation routes as tax ceases to become the deciding factor. Since the tax rates across states are uniform, state boundaries are no longer the parameter for deciding the distribution pattern. So far there has been about 18-20 per cent* improvement in turnaround time because of GST. As a direct consequence, cost of logistics has further reduced under GST, especially on account of centralized procurements/distribution points and no credit loss under GST.

With a refined model of transportation, the benefits have extended to each stakeholder in the supply chain by way of reduced pricing, better quality and better inventory management. However, many of the Companies witnessed few hiccups in their capability to deliver on time across the nation on account of centralisation of fulfillment centers with increased lead time.

What lies ahead?

The positive impact of GST on supply chain is expected to be more concrete in the years to come. It is expected that the Government should further strive to smoothen the supply chain by correction of few remaining credit blockages existent under GST and further rationalisation of E-way bill mechanism.

* ICRA, The Hindu Business line, June 2018
Anti-profiteering
Introduction

One of the most talked about provisions under GST is anti-profiteering. As discussed earlier, the Government has reduced rates for a large number of products over the last year with the intention of providing relief to ultimate customers. Accordingly, Anti-profiteering measures were introduced to ensure the passing of the benefits reaped out of reduction of tax cost to the final consumer by an appropriate reduction in prices. For the said purpose, the Central Government constituted the National Anti-Profiteering Authority (NAA) to examine whether input tax credits availed by registered persons or reduction in tax rates have actually resulted in a commensurate reduction in the prices of goods/services. The tenure of the NAA is two years from the date of appointment of the Chairman of Authority, which can be extended by the GST council.

Challenges

The Anti-profiteering Rules prescribe the procedural aspects of Anti-profiteering proceedings like application methods, formation of committees, roles and responsibilities of each authority in the Anti-Profiteering set up. However, it does not provide too much direction on how the business should identify and quantify the potential benefit of tax rate reduction or increase in input credit availability. Further, there are no guidelines on whether the changes in pricing are to be carried out at a business level or at product level or SKU level. In case profiteering is controlled at an entity level or for selected customers, it may not ensure that a specific price of product is commensurately reduced for all customers, which may be the intent of such provisions.

Though the overall intention of such provisions is clear that the businesses should not make profits out of GST gains, lack in clarity on scope and application of such measures have made the industry skeptical of the said measures.

Further, though Anti-profiteering provisions were expected to be implemented at par for all industries, retailers and wholesalers have been facing the heat more than the others. Amidst confusion surrounding scope of such provisions, the wholesalers and retailers have been issued notices to administer if they have passed the benefit to their end customers or not.

Adding to the challenge, these provisions have also been challenged by various tax payers through a writ petition before the relevant High Court on account of the anti-profiteering mechanism being unconstitutional owing to the vice of ‘excessive delegation’ and vagueness of provisions.

Precedents

Orders passed by NAA provide some guidance in terms of how the Anti-Profiteering provisions are interpreted by tax authorities. The key principles emanating from recent orders passed by NAA are as follows:

1. Profiteering is to be calculated at product/stock-keeping unit level
2. Tax payer does not have liberty to arbitrarily decide the products on which it intends to pass the benefit
3. Sale price should be reduced to the extent additional credit available on imported goods (i.e. CVD)
4. Change in cost due to factors, other than tax rate or input tax credit, not to be considered for calculating profiteering amount
5. Benefit can be passed on by supplying increased grammage, i.e., increased quantity at same price, for every stock-keeping unit (it is important to note that, there is also an earlier NAA order which has found increased grammage as an unacceptable way for passing the GST rate reduction)
6. Trade discount offered through credit notes is not same as price reduction
7. Retaining base price and withdrawing discount is not profiteering as it is offered from supplier’s profit margin
8. Increase in base price due to denial of ITC does not tantamount to profiteering (Contrary position upheld in another order recently)

Way forward

Anti-profiteering provisions are surely a promising step towards protecting consumer interests and regulating the inflation in the economy. The effect of anti-profiteering provisions would be visible in due course.

As the initial tenure of NAA is two years, it would be interesting to see if the tenure is extended beyond July 2019.

In case the tenure is continued, the industry looks forward for release of clear rules and guidelines on anti-profiteering with an insight into the documentation and periodicity of this exercise for due compliance. Further, release of coordinated guidelines across GST and Legal Metrology Act would help the business for timely compliance of the said provision. In the long run, this shall build confidence and trust among the businesses.
E-commerce
Rise of E-commerce

In the recent years, E-commerce in India has spread its root, as never before. It is because of this unprecedented growth story, India has become the second largest market for E-commerce in the world*. In fact, a recent investment by one of the world’s leading retailer in India’s e-commerce sector has put India on the track to becoming a world leader in this sector.

E-commerce enables small and medium enterprises to connect with the customers across the country for marketing their products, while assuring timely delivery and genuine products at most competitive prices. The said business model also supports the key policy initiatives of ‘Make in India’ and ‘Digital India’ in addition to creating employment opportunities and having a positive ripple effect on other associated sectors such as logistics, communications, cash handling and management services, etc.

Challenges under erstwhile regime

Under the erstwhile regime, E-commerce industry suffered from lot of complexities with regard to indirect taxation. One of the major concern was various States seeking to tax E-commerce transactions under Value Added Tax (VAT) and collecting the same from E-commerce operators. The said issue thrived in a fulfillment centre model where operators had undertaken the task of storing the goods, procured from various sellers in their warehouses, before dispatching them to the respective buyers and generating the invoices on behalf of the sellers.

Similar issue arose under Entry tax wherein the e-commerce operators were held liable for Entry tax compliance. This led to multiple compliance burden for E-commerce operators, who were already liable to pay Service tax on the commission earned by them from the sellers registered on portal.

Relief and challenges under GST

Introduction of GST has surely provided relief to E-commerce operators with regard to the above issues. As VAT, Entry tax and Service tax have been subsumed into one tax, the problem related to double taxation/compliance has been put to rest. However, the new law also came with few challenges for E-commerce operators. Concept of Tax Collected at Source (TCS) has been introduced under GST, basis which E-commerce operators are liable to deposit TCS on online transactions undertaken through their portal, which shall be available as a set off to the sellers against their tax liability. Separate TCS returns, timing difference in deduction and set-off with respect to TCS are some of the foreseeable challenges.

Registration is another important area for E-commerce industry. It is now clarified that E-commerce operators are required to obtain registration under each State, in which they have operations. However, such registrations are allowed in the name of the registered office without having to open place of business in each state. Further, the Government has made it mandatory for sellers of goods transacting through E-commerce model to take registration, irrespective of the threshold limit.

Though TCS provisions were kept in abeyance for a while, the Government has finally implemented such provisions effective 01 October 2018.

What lies ahead?

E-commerce sector is a relatively new sector, flourishing within the Indian economy. As it matures, taxation issues are likely to continue to increase. The Government must continue to harbor a business-friendly environment for the E-commerce industry by coming up with a simplified taxation regime.

* As per the most recent data available,
Other impact areas
Changes in contracts/agreements

When dealing with taxation disputes, the contract is a key document to determine the intention of the parties, essence of the transaction and taxing point for GST. The tax clause, representation and warranties clause, indemnity clause, provision for raising credit/debit notes, review/audit rights, etc. are some of the key clauses from a taxation perspective.

With input credit under GST becoming dependent upon uploading of correct details by the vendors on GST Portal, appropriately worded indemnity clause in the contract, would assume more importance in times to come.

Working capital management

Savings on account of centralisation of procurements have surely reduced the working capital requirement of the retailers to a great extent. On the flipside, increased compliance has increased the working capital requirement. However with stabilisation of the new tax regime, the compliance cost has matured relatively. One important aspect still affecting the working capital requirement is the taxability of stock transfers. Stock transfer continues to be a prevalent feature of the retail industry. It did not entail any taxes under erstwhile regime, except for reversal of input tax credit in few states. However, with GST taxing such supplies, the working capital requirement has increased with conversion of available cash into credits for recipient locations. Accordingly, GST has been a mixed bag as far as working capital management for retail sector is concerned.

Formalisation of the economy

GST has also contributed to the formalisation of the economy. Being registered under GST for availing input tax credit is a better option for lot of small dealers, who thus far, were shying away from taking registration under indirect taxes and coming under the tax net.

With free flow of credits for the organised players, they are in a better position to compete with the unorganised sector and thus, the incentive of not coming under the tax net is reduced.

Also, online tracking of invoice level transactions through GST Portal, would help Government to curb the tax evasion, which would eventually help reduce the size of the unorganised sector.
Unfolding of GST has been a remarkable journey in the history of Indian economy. Despite initial teething issues, GST is likely to be a catalyst for Indian industry (including retail) to achieve its objective of a below 50 ranking in Ease of doing business survey conducted by World bank.

The retail sector has already started reaping benefits of free flow of GST input credits, the restructuring of supply chain, import facilitation measures and rate reduction.

With right impetus from the Government, this sector can continue to perform as one of the largest growth sectors for the Indian economy and achieve the expected target of USD 1.3 trillion by 2020.

It is now time for the Government to stabilise the system, remove uncertainty, and ease the compliance process to provide the necessary boost to the retail industry to spread its wings and fire growth engines to full throttle.

Parting thoughts

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