

AVIZARE SOLUTIONS



Preparing for incoming GST regime

GST seeks to remove the inefficiencies of the current governance structure and brings in a unified value added system

Over a decade in the making and dubbed as the most transformative tax reform ever, first step to legislate the Goods and Services Tax (GST) regime has been taken. The Constitution Amendment Bill (CAB) enabling GST has been approved by the Indian Parliament.

The dual governance structure of central and state bodies makes the current tax system very complicated and brings in several inefficiencies in the system. The new framework seeks to create a unified market for goods and services and take care of several inefficiencies and costs of a splintered market. GST is an evolution of the current origin-based tax regime into a destination based tax. It transforms the complex and cascading structure into a unified value added system. Under this, a value added tax would be levied at every point of the supply chain providing for credit for any / all taxes paid previously.

While there are several steps to be taken to ensure that the new regime becomes a reality on April 1, 2017, the most important step involved would be the GST rate itself. The rate is to be arrived at through a consensus process between the states and the Central government of India and assigned to different categories of goods.

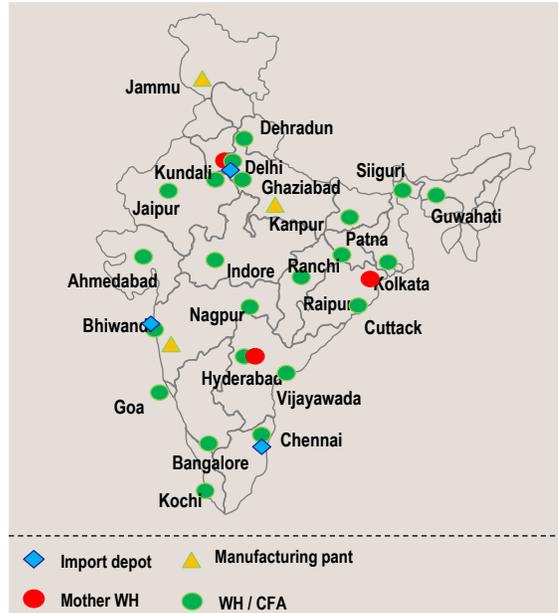
Irrespective of the rate, implementation of GST will have significant impact and will change the manner in which business is carried out vis-a-vis the current tax regime. Convergence of the central value added tax (CENVAT) rate and the service tax rate will lead to abolition of entry tax, central sales tax (CST), VAT, entry tax, stamp duty, turnover tax, tax on consumption or sale of electricity etc.

Common tax structure would facilitate flow of credit across the entire value chain. With fewer rate and exemptions, GST will simplify the existing tax regime. Compared to intra-state sales, inter-state sales transactions will become tax neutral, thus making India one single common market spanning across all the states, and doing business across different states would be easier.

Preparing for incoming GST regime

Network realignment in post-GST scenario may yield cost reduction and improvement in service levels

PRESENT NETWORK



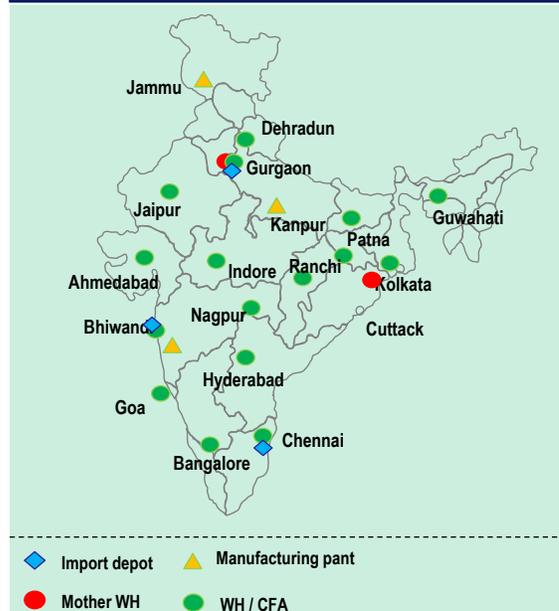
Structured in a way to reduce taxation

Leverages location based tax incentives

Not oriented towards economies of scale, operations efficiency or customer service levels



FUTURE NETWORK



Optimized supply chain network

Hub and spoke model with larger and cost effective warehouses

Modal mix to effectively serve customers and cost efficient routes

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The companies need to understand the GST policy development, evaluate its implications for their business environment and take appropriate initiatives to have sustained competitive advantage.

Some of the steps that companies can take to realize true benefits are:

Optimized network distribution to enhance supply chain responsiveness for new and existing products

Improve in-plant logistics and facility planning for greater efficiency in processing

Optimize stocks and inventory levels to have better control on costs

Balance the operational, financial, service and fulfillment goals

Using advanced analytics techniques companies can build a robust, agile and cost-effective supply chain. Appropriate tools will enable companies evaluate their logistics network & inventory practices so as to optimize costs and improve service levels.

Appropriate tools can be built with advanced analytical techniques for creating a robust supply chain

About Avizare Solutions

Avizare is a global Management Consulting firm that aids companies in making better business decisions by leveraging facts, information and advanced analytics.

Avizare follows a customer-driven approach to develop and deliver customized solutions to identify growth opportunities, improve performance, optimize cost and enhance margins.

AVIZARE SOLUTIONS

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