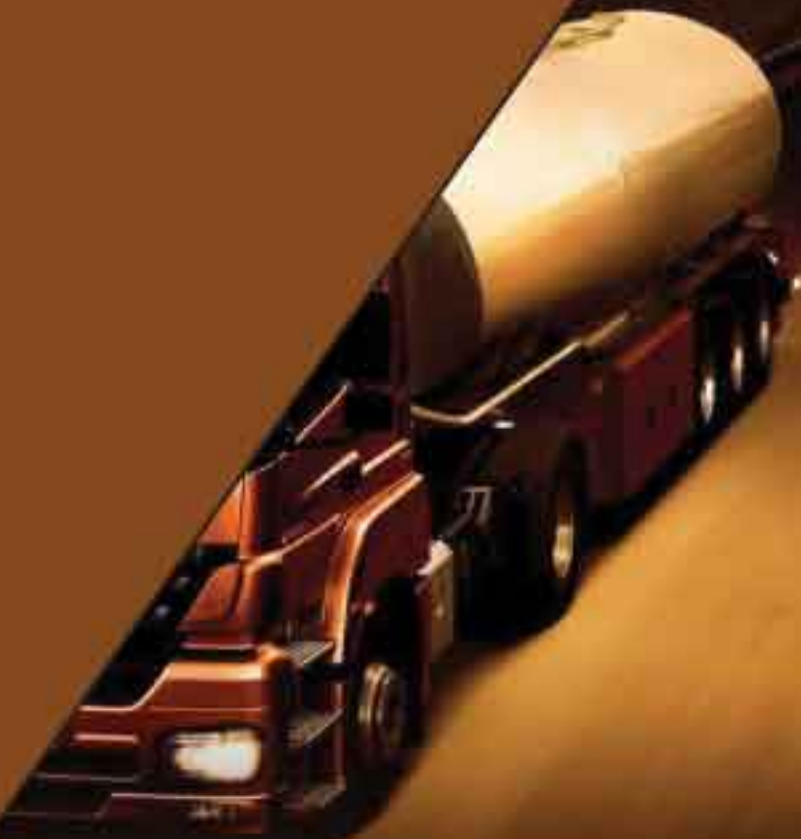




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GST IS GOOD AND SIMPLE TAX



Accelerating India's Logistics Sector



PRE GST INDIA **Tax Terrorism**



**17 indirect taxes +
23 types of cess**

POST GST INDIA
One India, One Tax

**All indirect taxes &
cesses subsumed
into GST**





PRE GST INDIA Idling of Trucks

A typical truck spent 20% of its run time at interstate checkpoints. On an average, a truck in India runs an annual distance of 60,000 km as against 200,000 km in the West.

Result: substantial increase in freight cost (Pre GST)

Let's see the Chennai - Kolkata route



Significant reduction in travel time on the same route

Figure 1: Breakup of freight transit time (in hours) for logistics players on Chennai-Kolkata route
Source: Primary interviews with transporters, GPS data of express transporters

POST GST INDIA Zippering through

Interstate check posts removed, travel time of long-haul trucks, other cargo vehicles cut by at least one-fifth





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PRE GST INDIA **Caught in the web**

Complex tax structure and paper work forced the transport industry to spend 50-60% of resources on tax compliance and deposit of interstate sales tax



POST GST INDIA **Clutter-free highways**

Monitoring, collection of sales tax at interstate barriers obviated. A single GST means increased uptime for trucks, better turnaround and optimized warehousing structure





PRE GST INDIA Tax maze

Centre and state statutory tax rate for most goods worked out to be 26.5%



POST GST INDIA A shared national market

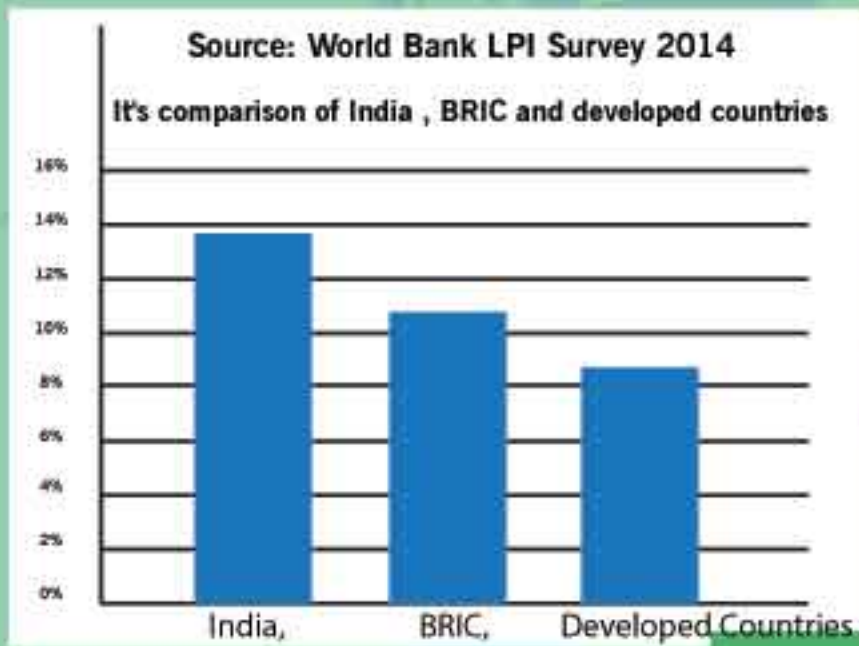


Rate for all goods expected to be in the range of 18%



PRE GST INDIA Cost burden

India was burdened with heavy logistics costs: about 14% of the total value of goods as against 6-8% in other major countries



POST GST INDIA

The ride just got better



Logistics cost
down to 10-12%
of total value of goods

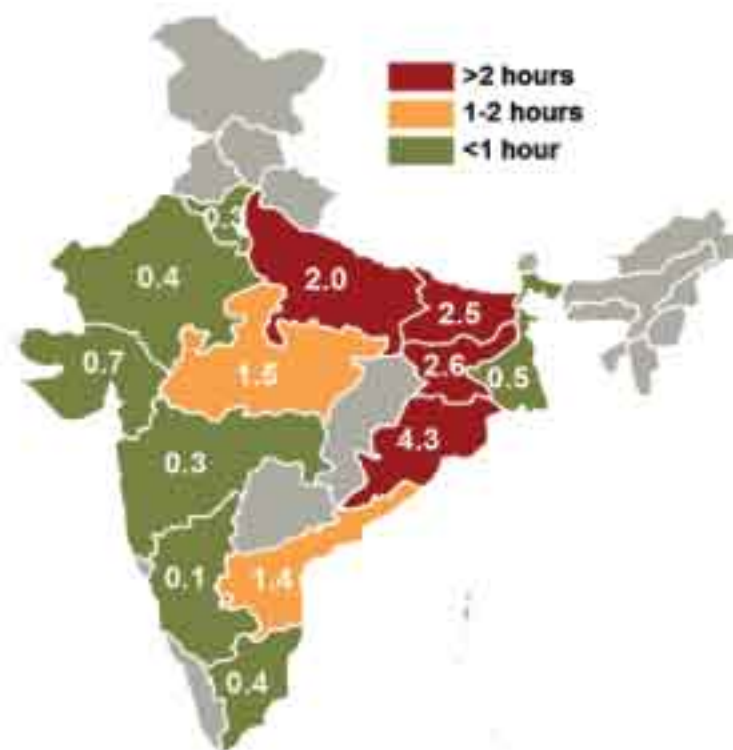


The mess that was border checkpoint

An analysis of top 15 states by freight movement before July 1 showed that the time spent at interstate borders varied significantly, driven by the differences in the procedures adopted across states. While there were states such as Rajasthan and Maharashtra where only 20-30 minutes were spent at any border on average, there were other states such as Bihar and Jharkhand where commercial vehicles would end up spending over 2 hours at each border.

Average time taken at inter-state borders for top freight movement states across India

Source: GPS data from logistics players, validation through primary visits



PRE GST

Check-posts were operated by CTO, RTO and other departments to verify the documents related to consignment, vehicles and drivers. Stoppages at these check-posts have been one of the key reasons behind the inefficiency of Indian logistics sector.

Source: Statement from Ministry of Finance, Press Information Bureau

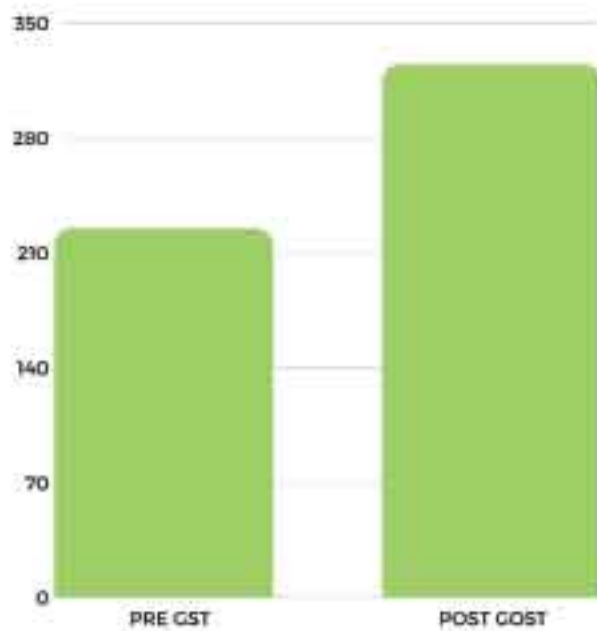
Impact Post GST

#	Impact Area	Observations
1	Documentation requirement	<ul style="list-style-type: none"> VAT forms no longer needed Gujarat (form 402, 403, 405) and Karnataka have continued the requirement to fill modified forms
2	Border Check-posts	<ul style="list-style-type: none"> 22 states have already removed checkpoints
3	OCTROI	<ul style="list-style-type: none"> Elimination of OCTROI collection has led to decongestion of cities such as Mumbai



IMPACT POST GST

PRE GST Truck movement



Trucks covering
225 km a day

POST GST Trucks covering 300-325 km a day

Average Indian truck currently covers 50,000-60,000 km a year as against 3 lakh km done by a truck in US

The proposed E-way bill that will ease the movement of freight further. As goods more than Rs 50,000 will require an online registration and the receipt would act as goods ticket for the entire journey. A Step towards more transparency





PRE GST INDIA **Era of musty, dilapidated godowns**

Companies were forced to put up and maintain warehouses in every state due to different taxation slabs



POST GST INDIA **Driving change**

GST does away with the need to have a separate warehouse for every state. This means a leaner and smarter logistics chain. This will also encourage more FDI in warehousing (In last two years, global PE players, pension funds have already invested \$1.5 billion in India's warehousing business)

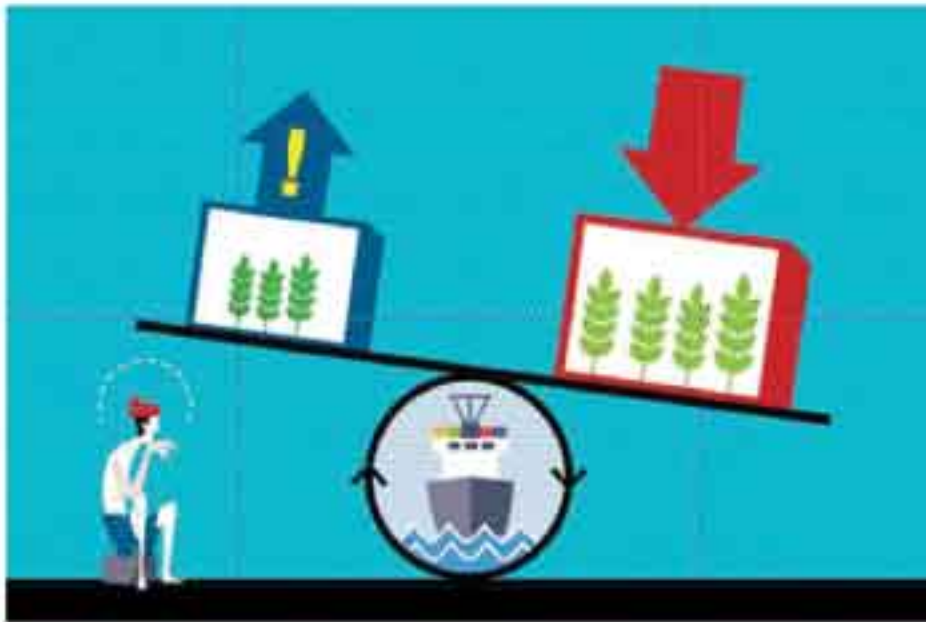




PRE GST INDIA

India's container import export cost is high vis-a-vis China

In a direct cost comparison with China, India's average cost to export or import one container is around 72% higher in higher transit time



POST GST INDIA

GST will boost demand for high tonnage trucks

GST will boost demand for high tonnage trucks and lead to overall reduction in transportation costs





PRE GST INDIA

GST will accelerate demand for logistics services

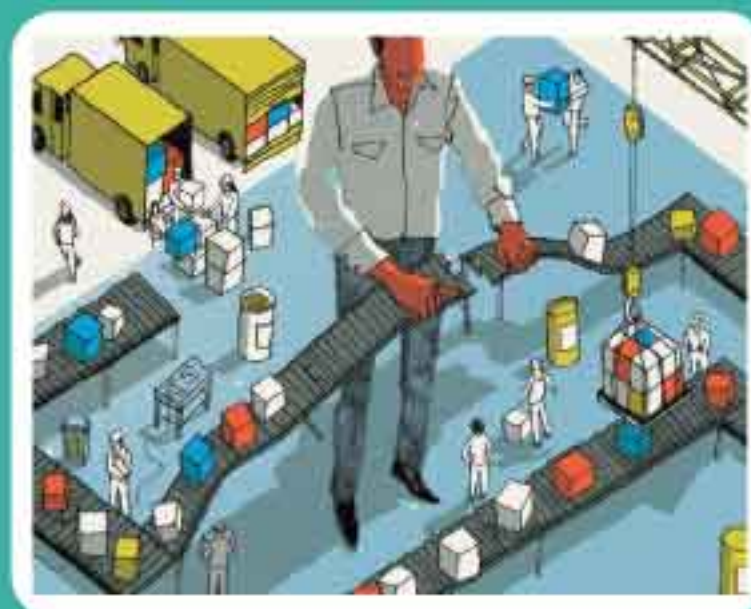


It will facilitate seamless interstate flow of goods, which is expected to directly accelerate demand for logistics services

POST GST INDIA

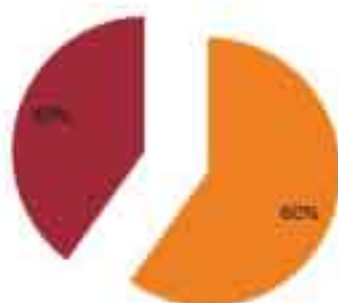
GST will facilitate interstate flow of goods

Revenue pie of Indian logistics sector



Revenue pie of logistics sector

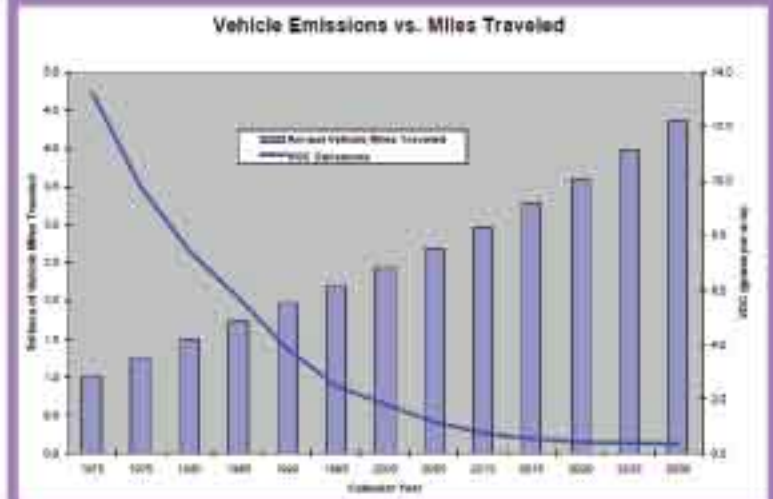
● Transportation ● Warehousing



Revenue pie of logistics sector: Transportation – 60% share of the logistic industry. Remaining – 40% contributed by warehousing, freight forwarding etc.



Decrease in pollution as trucks would move faster.



Increase in employment





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What the press is reporting on freight movement post GST

GST impact: Trucks save 8 hours on Chennai-Delhi run

Truck owners, logistics providers said not only had the tax saved time, it had also reduced costs – (Business Standard, July 20, 2017)



GST is a catalyst will fix the imbalance in India's trade system
Prime Minister Narendra Modi



Truck aggregators on track after crossing GST hump

Aggregators including Blackbuck, Rivigo and Fr8 said orders are picking up again and believe that the new tax structure will have an overall positive impact on the logistics sector, especially since the removal of intercity check posts will reduce travel time. – (The Economic Times, July 12, 2017)



Logistics and warehousing gaining from GST

Logistics and warehousing sectors are already witnessing gains of the Goods and Services Tax (GST) and set to grow further, according to Somesh Kumar, Principal Secretary, Commercial Taxes & Excise, Government of Telangana. – (BusinessLine, July 14, 2017)



“India’s logistics sector would gain the most from the goods and services tax as costs would fall by almost 20%,” road transport and shipping minister Nitin Gadkari



Tax overhaul 'reshaping India logistics sector

The shift to a unified national tax has set off a wave of change in India's notoriously inefficient logistics sector as companies alter the way they store, move and account for goods, according to the Agility Mid-Year Emerging Markets Review. (Trade Arabia, July 20, 2017)



Hail GST! Logistics Sector to Benefit Due to Streamlined Processes

The logistics sector is predicted to benefit, with the World Bank estimating a forty percent decrease in overall costs. (Quint, July 1, 2017)



India is a growing economy and the high cost of logistics, currently at 14% of GDP, was having a negative effect. The average speed of freight transportation on the highways network has been increased from the current speed of 20-25 km per hour to 40 km per hour. Trucks that were earlier doing 200 km a day would do 400 km now.



GST: Truck movement picks up pace as border check post starts disappearing

A truck from Chennai to Jamshedpur carrying tyres made by Apollo Tyres reached in three and a half days as state border barriers began to be dismantled after the goods and services tax (GST) came into force on July 1. The same truck would have taken five days earlier. (The Economic Times, July 10, 2017)



Small traders need not to worry as anyone with an annual turnover of Rs 20 lakh doesn't come under the ambit. And those between Rs 20 lakh and Rs 75 lakh will just have to file the return. Some hard steps were needed to be taken but it will ultimately have a positive impact. GST will make at least 99% of all transactions transparent.



GST impact on tyre industry: Demand set to shoot up

As an integral part of the logistics and transport industry, the tyre manufacturing sector will benefit from GST. Initial challenges aside, the new regime brings good news for the tyre industry, as an increased movement of heavy commercial vehicles across states will result in an increased demand for tyres.

(Financial Express, July 7, 2017)



The government has approved a plan to build 34 mega multi-modal logistics parks at an investment of Rs 2 lakh crore.



GST set to transform face of Indian logistics industry

India's greatest tax reform — replacing an array of provincial duties with a nationwide goods and services tax — is transforming the logistics industry in a country where moving stuff around is notoriously difficult to do, executives say. — (Reuters, July 6, 2017)



Logistics parks will act as freight aggregation and distribution hubs and will enable long haul freight movement between hubs on larger sized trucks, rail and waterways. It will reduce freight transportation costs,”



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We are getting rid of a plethora of economic hurdles and hindrances with GST
Prime Minister Narendra Modi



GST would lead to a modern tax administration which is simpler, more transparent, and helps curb corruption

Just as Sardar Patel had ensured political integration of the country, GST would ensure economic integration

Today marks a decisive turning point, in determining the future course of the country:

**Prime Minister
Narendra Modi**



“India’s logistics sector would gain the most from the goods and services tax as costs would fall by almost 20%,”