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GST

A JOURNEY, NOT DESTINATION

GST has scored a few goals – subsuming multiple taxes and a common rate structure – over the last one year. But for achieving simplification and reaping its full efficiency, it has a long way to go.

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“GST rate of 18% on cement would have driven up retail demand”

Maneesh Agrawal, Chief Financial Officer,
Nuvoco Vistas Corp Ltd



GST was introduced nearly a year ago. How do you review GST and changes made in GST on cement and its downstream products over the last one year?

Having been in the works for a while now, the implementation of GST in India was an urgent necessity, and as an industry, we welcomed it. Despite the objections and concerns raised regarding the dual GST structure and the multiple GST rates; we feel that it was executed quite well by the Government. For a federal form of Government in India; dual GST was a necessary compromise, without which, its implementation would never have been possible. USA is one other country with a similar federal form of government; but it still cannot find a way to implement VAT or GST, which showcases the achievement of India in implementing GST. It is also necessary to understand that in a country like India, where disparities in income levels are enormous; the multiple tax rates were a necessity. Essentials and luxuries cannot be taxed at the same rates without giving way to an extremely regressive tax system.

However, we believe that a GST rate of 18 per cent on cement would have given the required

impetus to the sector. After all, cement is an essential component of infrastructural development and higher tax rates translate into higher price points. In addition, it is also necessary to remind ourselves of the environmental contribution that cement makes, by absorbing the polluting residues of power and steel. The 18 per cent taxation rate would have not only driven up retail demand but also brought down housing prices significantly, which again is a national agenda of the current Government.

Did you face any initial pangs in adhering to GST at the beginning – Tax and system related? Do you think GST process has stabilised by now?

I believe one has to take a long term view of any legislative or policy change. As is the case in any new law/regulation, it is natural that there will be a number of challenges in the initial period. The difficulties faced in the first eight to nine months were due to ambiguity and confusion surrounding the law; and a large part was relating to the method of filing returns or amendments in registration applications. The Government did its part by extending the dates for filing returns till nine months after the implementation allowing the systems as well as the industries to adapt and accordingly readjust themselves. Today, despite the occasional performance issues, the system has largely stabilised. The input process for recording transaction entries, however, is yet to be implemented, and we are also awaiting the changes proposed in the return filing procedures.

How GST has impacted the building materials industry as a whole and what has been its rub off on the cement industry?

On the whole, the implementation of GST has had a largely beneficial effect on the industry. Builders and contractors have also been positively impacted by the increased credit flow to them.



However, lack of knowledge and awareness regarding the changes and their associated benefits has prolonged the struggle of small traders in accepting and adapting to them. Because of unawareness of the erstwhile tax regime; a taxation of 28 per cent on invoice appears higher to them than the earlier tax rates of 13.5 per cent to 15 per cent shown on the invoice. This is because the earlier excise duty of 12.5 per cent and the entry tax of 1-2 per cent used to be included in the price as a hidden tax in the invoices. This awareness needs to percolate down to all small traders and dealers.

To what extent cement (or building materials industry as the case may be) is able to avail the input credit benefits and set-off their tax commitments? Is there any general estimate on the percentage of benefit claimed by you/your business in general?

Overall it's been a positive impact. During the pre-GST era, the cement industry could receive tax credits on most items; with the exception of state tax (VAT) credits on certain stores/spares/consumables, which had been previously barred by many states. However, even though under the current regime, these items are also eligible; there hasn't really been any major impact of higher credit in the cement industry. Purchases in the erstwhile regime had the cost of inter-state tax and entry tax imbedded in the price for most inputs resulting in cascading effect on taxes. These hidden

tax costs have gone post GST. Local purchases from dealers of OEM, small traders and businesses had the excise and service tax component built-in the price and for service industry the VAT cost in value of service on which industry could not take benefit. With GST replacing excise duty, service tax and VAT there is seamless credit at all levels.

What is the general impact of GST on cement and building materials on product prices and their end-products – building and infrastructure costs?

To sum up; GST has largely had a positive impact on the sector, as customers, while procuring the required material, now have a much wider range of options to choose from. While taxes used to be one of the most critical factors to consider while making decisions; the elimination of non-creditable CST and Entry Tax has allowed buyers to freely obtain materials, inter-state. The tax barriers in movement of goods being removed it has been a big step towards One India. Also to reiterate cement, building materials, and the required fittings and fixtures, which were earlier directly purchased from traders with excise and service tax component built in; now can be had without such tax costs. In fact, post implementation of GST, the builders are insisting on proper tax invoices, to reap the benefits of the GST paid. This is adding to better transparency which is expected to result in higher GST collection for Government. 