

Consumer durables industry may see lower tax burden

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Once the Goods & Services Tax (GST) regime kicks in, the consumer durable industry is expected to see a reduction in tax burden, logistical and transactional costs, which in turn will be beneficial for consumers, if the industry decides to pass on these benefits to them, said analysts.

Sunil D'Souza, Managing Director, Whirlpool of India, said that GST would help in removing economic distortions as well as build transparency which will drive consumption and fuel growth of the sector. "The GST will help the industry in optimising warehousing and inventory carrying costs," he added.

The Consumer Electronics and Appliances Manufacturers Association (CEAMA) said the common tax will help in reduction of production and logistics costs and help in 'ease of doing business'.

"It unites India into one economic entity, making it a common market place thus, making our cost of production and competitiveness far more effective. GST will further contribute to economic growth by lifting the overall stature of local manufacturing by cutting down logistical and transactional costs," said Manish Sharma, President, CEAMA.

Suresh Nair, Partner, Indirect Tax, EY, said from the tax point of view, if the government goes ahead with the rate of 17-18 per cent, it will be positive for the consumer goods companies as it will mean reduction in taxes, which effectively should be beneficial for consumers, if the tax benefits are passed on.

However, he said the impact could depend on the locations where these companies manufacture their products, as it is not yet clear whether tax waivers given by the Centre for units set up in States, such as Himachal Pradesh and Uttarakhand, would continue in the GST regime or whether the benefits currently availed of would be grandfathered in a refund mechanism form or otherwise.

"From the perspective of the supply chain, companies have been facing challenges of tax leakages, in the case they procured products through contract manufacturing and import /sale model. These leakages are expected to be plugged in the GST regime and will be positive for the consumer goods and FMCG companies," Nair added.