

White goods companies seek lower tax & higher government pay

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The white goods sector is seeking succour from Finance Minister Arun Jaitley in next week's Budget.

Sales of various categories of home appliances declined in 2015 because of weak demand and abnormal weather, and the industry is expecting lower taxes apart from higher pay to government employees to boost consumption.

While the goods and services **tax** will help the inventory-heavy industry move goods among states easily, it will also gain if the cumulative taxation is brought down to 18-20 per cent from 23-24 per cent.

ASKING FOR A BOOST

- Lower excise duty by at least 2%; total tax to 20% level from current 23-24%
- Implementation of **GST** to streamline taxation, bring it at 18-20% level
- Implementation of 7th Pay Commission before festive season
- Remove customs duty sops on finished goods to encourage local manufacturing
- Lower finance cost, take measures for rural consumption

"The consumer goods industry will gain significantly under the Goods and Services Tax (GST). In a competitive market, the ability of dealers to corner the benefit of lower taxes is limited," said Sachin Menon, partner and national head of indirect tax at KPMG India.

"The excise duty should be brought down from 12 per cent to 10 per cent to help reinstate demand," said Kim-Ki-Wan, managing director, LG Electronics India.

"In the last Budget, the finance minister had proposed a reduction in the corporate tax rate from 30 per cent to 25 per cent in four years. In this budget we expect a reduction in the corporate tax rate and a road map for future years," he added.

"Clearing the GST in the next parliamentary session will improve conditions for the consumer durables industry," said Anirudh Dhoot, director, Videocon. A low GST rate would boost demand, which would offset any revenue loss, said Shantanu Das Gupta, vice-president, corporate affairs and strategy, Asia South, Whirlpool.

Last year was not favourable for the Rs 90,000 crore consumer durables sector. Sales of air conditioners and coolers suffered due to a mild summer and unseasonal rain caused crop failure in various parts. The festive season demand was tepid too. The sector grew 10 per cent by value, but volume growth was subdued.

"We hope the budget will create more disposable income to spur consumption," Das Gupta said. Implementation of the Seventh Pay Commission's recommendations, which include a 23.5 per cent hike in salaries, allowances and pensions of central government employees, will help boost consumption.

"The government should focus on irrigation to improve crop productivity," said Rajat Wahi, partner and head of consumer markets, KPMG India. Incentives for warehousing and cold storage to reduce food wastage could increase the income of rural households, he added

Manish Sharma, president of the Consumer Electronics and Appliances Manufacturers' Association and managing director of Panasonic India & South Asia, said the government must remove any incentives in terms of reduced or zero excise duty for finished goods imported from countries with which India had free trade agreements.

"This will promote the manufacturing of these products in India," he pointed out. A 13.8 per cent import duty on mobile handsets led to companies like China's Vivo, Goinee and Taiwan's Foxconn to set up manufacturing units in India last year.

"We hope this Budget will have concrete measures to spur growth in jobs, increase disposable incomes and help support revival of rural and urban consumption," said Vivek Gambhir, managing director, Godrej Consumer Products.

"We hope the government will effectively use the windfall from the reduction in crude oil prices to speed up investment in infrastructure and development," he added.