

GST Survey

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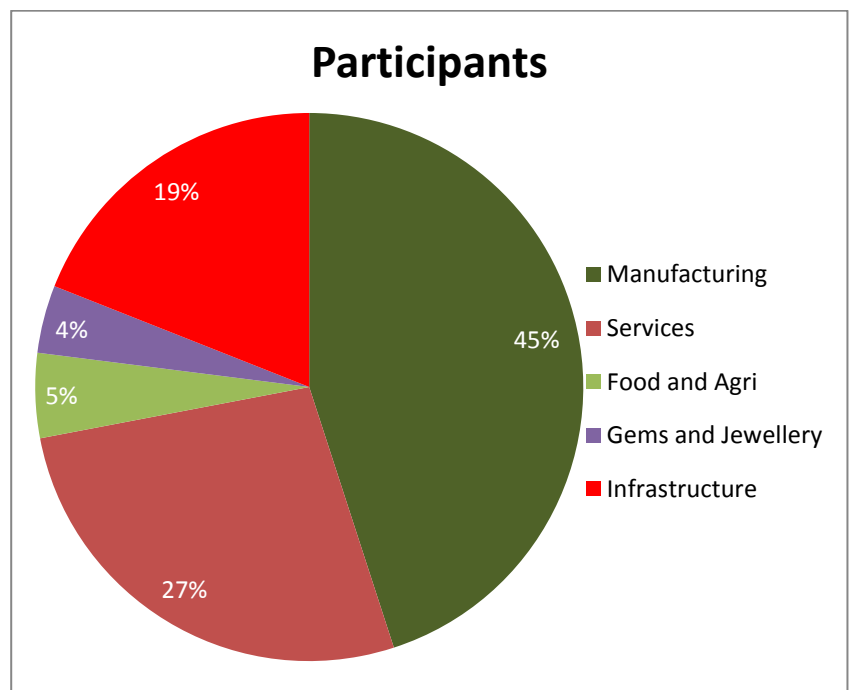
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Economics and Industry Research

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CARE Ratings conducted a dip-stick Survey on the Impact of GST across various sectors. We reached out to industry participants and stakeholders and tried to get their views and experience so far on the impact of GST. Around 150 participants from various sectors i.e. agri-based industries, chemicals-petrochemicals, food and beverage, gems and jewellery, construction, manufacturing, infrastructure and allied services, shipping and logistics, FMCG, metals and mining, financial services and lenders, real estate etc. took part in the Survey.



The Survey was designed in order to collect data on how the industry perceived, GST may impact

- Macro-economy and factors like inflation etc
- Implementation and delivery mechanism of GST.
- Effect of GST on the Financials, Investment cycle and

if it impedes or helps in ease of doing business.

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Survey and the outcome:

Macro-economic effects:

GST and its implementation had raised a concern of inflation due to changes in tax rates across few product groups and its likely impact on demand-supply. GST was also being expected to boost overall economic growth due to efficient inter-state trade. The responses to the questionnaire have been mixed. **The Survey seems to be indicating stable to 'no price' rise (low inflation), higher economic growth, no change or stable demand-supply scenario and; no change in the state finances.**

- **Inflation:** As per the survey, 54% of the respondents were of the opinion that GST would have no impact on the prices of goods while 33% claimed that there would be an increase in prices due to GST implementation.
 - 60% of the respondents under manufacturing sector were of the opinion that the prices would not increase which is a positive indicator.
- **Economic Growth:** 72% of the respondents are of the opinion that there would be higher economic growth due to GST implementation and the sentiment is uniform across respondents from various sectors. 13% felt that there would be no change in the status of GDP growth.
- **Impact on state finance:** 50% of the respondents felt that GST would have no impact on the state finances. However, almost a quarter of the respondents (23%) expect GST to impact the state finances adversely.
- **Impact on export competitiveness:** 45% of the respondents were of the opinion that GST implementation would have a positive impact on export competitiveness. 36% of the respondents felt that GST would have no impact on export competitiveness.
 - Barring participants from infrastructure sector, other sectors have responded, exhibiting a similar trend. Interestingly, the government officials had claimed before GST implementation that there will be low effect of duty on many items, reduction in cascading effects of multiple taxes, ultimately resulting in lowering the cost and making exports more competitive.
- **Impact on demand-supply:** 44% of the respondents expect no change in demand-supply due to GST while 28% felt there would be decrease in demand and a similar number expect increase in demand. The trends across sectors point towards no change in supply-demand due to GST with manufacturing sector responses in line with the survey outcome.

Compliance, delivery and filing:

GST implementation was anticipated to be delayed with many stakeholders questioning the efficiency and timing of implementation of GST regime. India rolled out GST from July 1. However the returns filing timelines under GST were extended up to September. **Our survey suggests that a good majority of the stakeholders were well informed but a large part of the industry did rue the fact that the professional help available was inadequate. Product and manufacturing based**

industries find GST to be beneficial due to easier inter-state movement of goods and they also found GST to be more convenient than the previous tax-regime.

- **Awareness on filing process:** 78% of the respondents were aware of the filing process under GST with uniform trends across sectors. 22% of the respondents were still unclear or unaware of the processes of filing GST.
- **Availability of professional help:** 63% of the respondents felt that enough professional help was available in order to become GST compliant. Out of the remaining 37% respondents who felt that professional help was inadequate-
 - 57% of the respondents from Food & Agriculture sector felt that professional help available was inadequate.
 - 40%, 39%, 38% and 25% of the respondents from Gems and Jewellery, Manufacturing, Services and Infrastructure sector respectively felt the professional services available are inadequate.
- **Aware about number of filing:** 87% of the respondents are aware of the number of returns to be filed under GST.
- **Accounting systems ready for GST compliance:** 76% of the respondents/companies have claimed that their accounting systems are ready to be GST compliant. Out of the 24% who are yet to upgrade their accounting systems,
 - The least number of non-compliant respondents belonged to Gems and Jewellery (20%), infrastructure (18.5%) and, Food & Agri (14%). The more non-compliant companies belonged to Services (29%) and Manufacturing sector (25%).
- **Costs incurred to become GST compliant:** In terms of cost incurred by the companies to become GST compliant, 57% responded that a considerable cost was involved in setting up systems and infrastructure required.
 - Fewer number of respondents from Food & Agri(14%) and Gems and Jewellery(20%) felt that considerable costs were involved which either means they have been able to outsource the process at the existing cost of filing taxes or they already had IT and requisite infrastructure in place which only required a nominal upgrade to be able to be GST compliant.
- **Benefit of GST to organizations:** 47% of the respondents felt that GST would be beneficial for their organization.
 - Manufacturing sector- 57% of the respondents felt that GST was beneficial.
 - Infrastructure sector- Only 33% respondents felt GST would be beneficial, which also is the lowest among sectors.
- **Is GST inconvenient:** 47% of the respondents did not find GST to be inconvenient whereas 35% felt that GST was inconvenient.
 - Higher number of participants from Services sector (44%) and Food & Agri (57%) felt that GST was inconvenient.
 - 18% respondents chose to not comment on the same.
- **GST as a source of harassment:** On a question- if GST could emerge as a possible source of harassment, 46% responded with a “No” whereas 29% of the respondents felt that it could possibly lead to harassment. 25% respondents chose not to comment on the same.

Financial and operational changes:

We tried to evaluate, how GST impacted the financials and operations of companies. **Our Survey suggests that GST has not affected manufacturing companies especially when it comes to operational changes. Apart from the tax regime change, the business environment expectation has more or less remained stable across the industries and companies. The impact on profitability is still a concern among stakeholders and businesses.**

- **Major changes post GST:** 62% of the companies have implemented major operational or are in-process of implementing structural changes post-GST implementation.
 - Only 38% of manufacturing companies have implemented or are in the process of implementing any operational or structural changes, which shows GST has not had any drastic effect on the operations of manufacturing companies surveyed by us.
 - Among the most effected ones, 71% of service sector companies have implemented changes followed by infrastructure (66%) and Food & Agri sector companies (57%).
- **Change in output:** 57% of the companies do not foresee any change in output due to GST. 28% of the respondents foresee increase in output while 15% expected decrease in output due to implementation of GST.
 - 51% of infrastructure companies felt that their output would increase.
 - Manufacturing companies- 54% of the companies expect no change in output and 34% expect an increase in output due to GST implementation. The remaining 12% expect decrease in output.
- **Effect on profitability:** 49% of the surveyed respondent felt that their profitability would be affected negatively. 30% of them felt there would be no change while 21% were uncertain on the same.
 - 61% service companies surveyed expect GST to impact their profitability.
 - 71% of Food & Agri businesses surveyed expect GST to impact their profitability.
 - Manufacturing and infrastructure are more uncertain on the impact of GST on their profitability compared to other sectors surveyed by us.
- **Impact on cost of Imports:** 50% of the respondents expected no impact of GST on imports.
 - 40% respondents from Gems and Jewellery felt that there is an increase in cost of imports while 60% said that there are no changes.
 - Services and Manufacturing sector participants with 29% and 27% respectively, expect increased cost of imports while 52% and 53% respectively expect no change in cost of imports.
- **Alteration or changes in planned expenditure:** 67% of the respondents said that there is no change in their planned expenditure due to GST implementation. This suggests that the industry doesn't expect any change in business environment due to implementation of GST.

Anti-Profiteering:

The anti-profiteering rules had spelled out chaos among industry participants. Though there still is ambiguity but the Government has taken enough measures and provided enough cushion so that the implementation of these measures would

happen gradually. Our survey result suggests that most participants have, in spite of the challenges, been able to implement or are in the process of implementing anti-profiteering measures. Service industry is yet to pick-up implementing the same as widely expected. Additionally, factors like input cost reduction and decrease in prices of products still remain unclear.

- **Implementing anti-profiteering measures:** 44% of the survey participants have implemented price-change measures in line with anti-profiteering measure and another 35% have said that the implementation process is underway.
 - 47% of the respondents in services sector are yet to implement or begin implementing anti-profiteering measures which is the highest across sectors. This shows anti-profiteering and its implementation would have more impact on product and manufacturing based sectors and it is much difficult to define and implement in case of service sector.

Survey Outcome

	Yes	No	No change/ Cant Say
Lead to an Increase in prices/inflation	33.8%	54.9%	11.3%
May lead to an increase in Economic Growth	71.8%	12.7%	15.5%
Adverse impact on state finances	22.7%	50.4%	27.0%
Impact on export competitiveness	44.7%	36.2%	19.1%
Increase in consumption and demand	28.2%	28.2%	43.7%
Aware of filing process?	80.9%	19.1%	
Is there enough professional help available	62.4%	37.6%	
Aware of the number of returns to be filed	86.6%	13.4%	
Is your accounting system ready for GST compliance	76.1%	23.9%	
Is there a considerable cost involved	56.6%	43.4%	
Will GST benefit your organization	53.7%	28.9%	17.4%
Is GST inconvenient	35.2%	47.2%	17.6%
Can GST implementation and compliance be source of harassment	28.9%	45.8%	25.4%
Any major operational or structural changes post-GST	28.4%	38.3%	33.3%
Foresee increase in the output of company	28.4%	14.9%	56.7%
Would GST impact the profitability/earnings	49.3%	29.6%	21.1%
Expect increase in the cost of imports	28.6%	21.4%	50.0%
Increase in company's investment/capital expenditure plans	21.0%	12.3%	66.7%
Started implementing price-change (anti-profiteering)	43.6%	20.7%	35.7%
Is price-change feasible	59.2%	40.8%	0.0%
Has there been any increase in input cost in your industry post GST	43.6%	23.6%	32.9%
GST lead to an increase in product prices	33.8%	25.2%	41.0%

- **Feasibility of implementing anti-profiteering:** 60% of the respondents felt that Implementation of anti-profiteering was feasible. 40% of the respondents felt it was not feasible.
 - Once again, 53% of the respondents from services sector felt that these measures were not feasible.
- **Change in input costs:** 44% of the respondents expect their input costs to increase due to implementation of GST, 24% have expected decrease in prices and 32% felt that there is no-change.

- Manufacturing sector- 34% of the respondents felt input costs have increased, 35% felt that there is no change in input costs and 31% felt that input costs have decreased.
- Food and Agri – 57% respondents felt an increase in input costs, 29% felt no change while the remaining 12% felt that input costs have decreased.
- **Change in prices:** 41% of the total respondents don't expect any change in prices due to GST, 34% expect increase in prices and 25% expect reduction in prices.
 - 51% of Infrastructure sector respondents and 60% of respondents from Gems and Jewellery sector foresee increase in prices which is quite opposite to the overall survey trend.
 - 46% of the respondents in manufacturing sector expect no change while 29% expect reduction in prices.

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