

# GST 2.0

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## GST rate rationalization impact on the Logistics sector

Simplified taxes across industries to stimulate growth in the Logistics sector



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The rate rationalization represents a transformative leap towards the blueprint of a 'simple' Goods & Services Tax (GST). The promise of domestic buoyancy in consumption is expected to have a corresponding domino effect on the logistics sector. While the rationalization creates a much sought-after equal footing for all types of road transportation service providers, the shift of services previously classified under the 12% GST rate may require businesses to evaluate the better rate option for the best GST outcome. Some aspects that businesses need to consider include the levels of capital investment in vehicles, the industry composition of clients, and several other such factors.



## Impact analysis

### Industry impact

- The immediate cash flow impact on account of the increased rate of tax or the blockage of credit under the reduced 5% rate is to be expected.
- Overall, the tax cost on procurements is expected to be beneficial with the rationalization of rates on motor vehicles, third-party goods carriage insurance, etc.

### Consumer impact

- Customers in exempt sectors (e.g., exempt pharmaceutical products) are likely to demand the adoption of the reduced 5% rate option.
- With the introduction of a new class of 'local delivery services,' the cost of ordering food on online platforms is likely to increase.

### Way forward

- Service pricing impact across the supply chain is to be evaluated for determining the preferred GST rate for varied transportation services.
- Need for transition readiness with respect to customers and impacted vendors.

## Highlights

**Abated rate of 5%  
with no Input Tax  
Credit (ITC) to  
continue**

**12% » 18%**

Before

Now

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