



Go Further

GST Impact to Automotive Business

(Logistics)

2015

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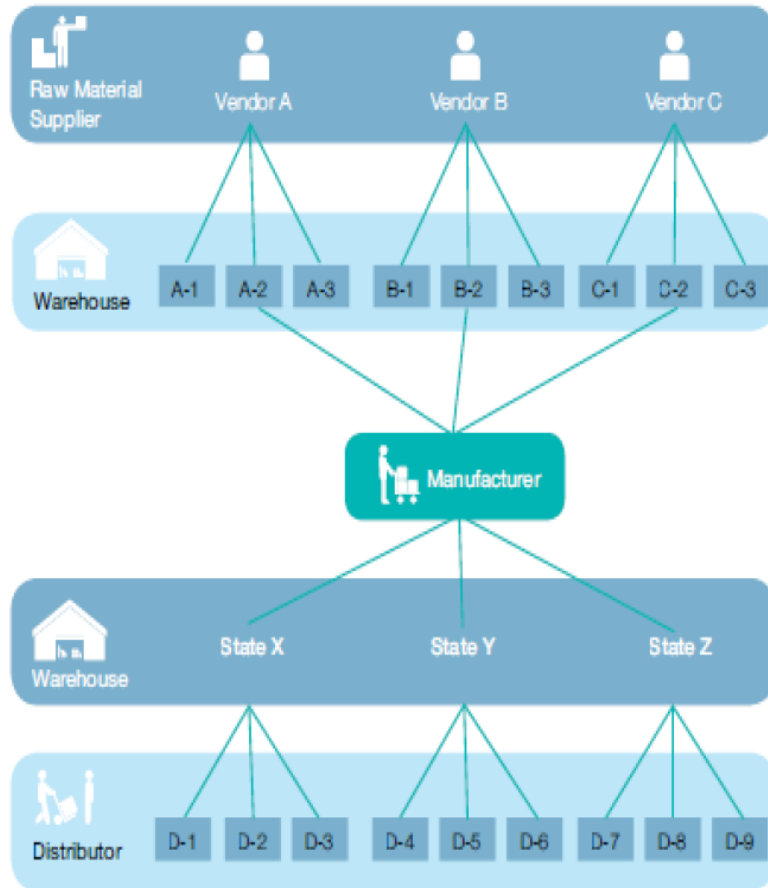
**Vice President – MP&L
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Goods and Service Tax ('GST') from 1 April 2016 as the biggest indirect tax reforms since independence has been reiterated and this would pave the way for **creating a common market place throughout the country**, remove cascading effect in the supply chain and result in benefiting the customers at large in terms of lower prices.

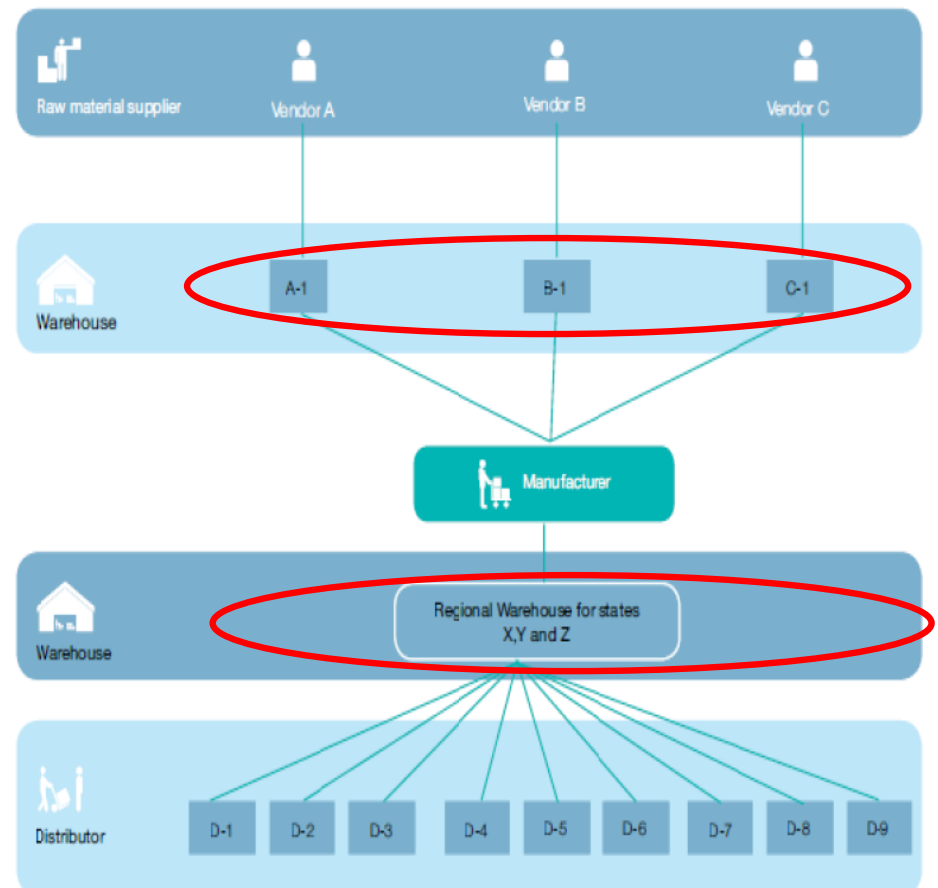
Once implemented, GST is certainly expected to act as a catalyst to bring back buoyancy in demand.

Probable Business Structure Post GST

Warehousing Strategy before GST Implementation



Warehousing Strategy Post GST Implementation



GST promotes Supply Chain Optimization To Reduce Logistics Cost
Supports Multimodal logistics

Finished Vehicle Logistics

Current

Potential Interim

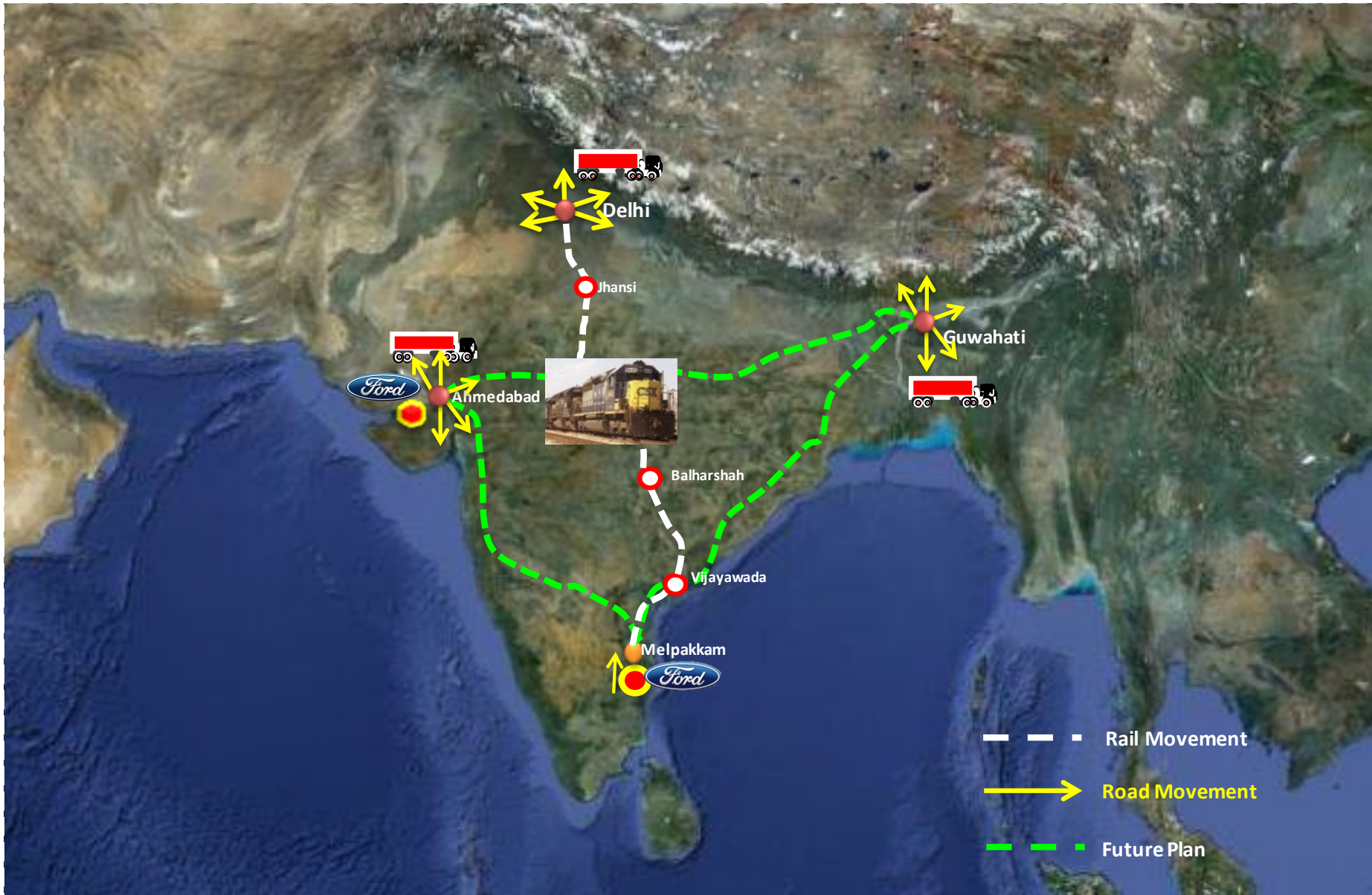
GST

Outbound Logistics - FV Distribution by Road (1999 – 2013)



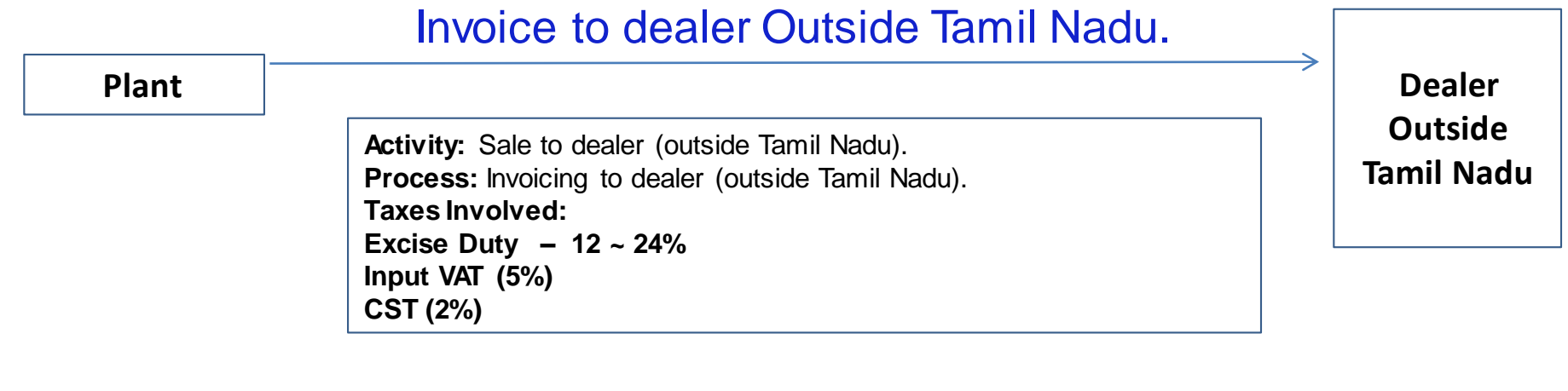
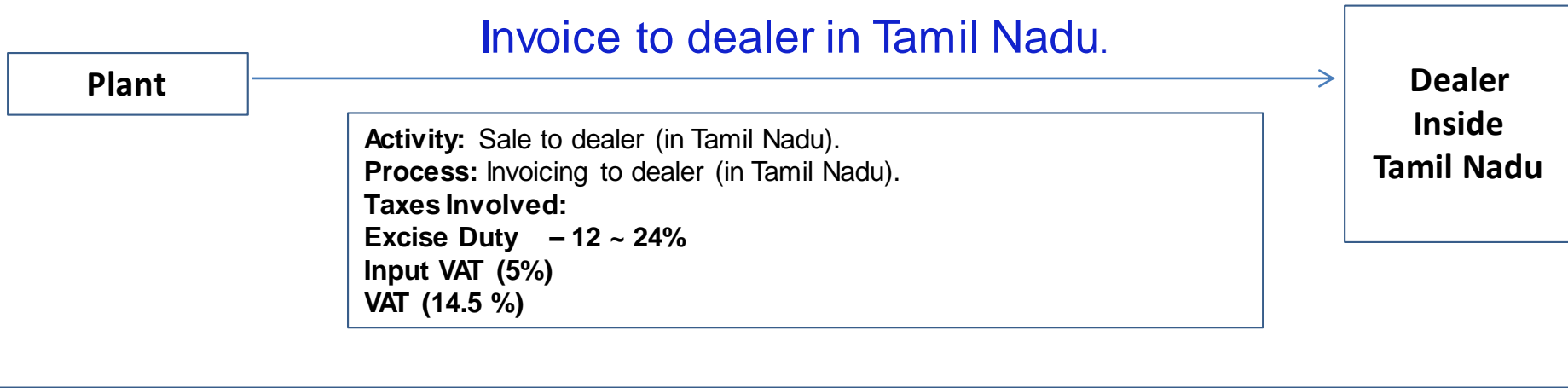
Historically 100% FV Distribution undertaken by Road

FV Distribution by Rail (2014 Onwards)



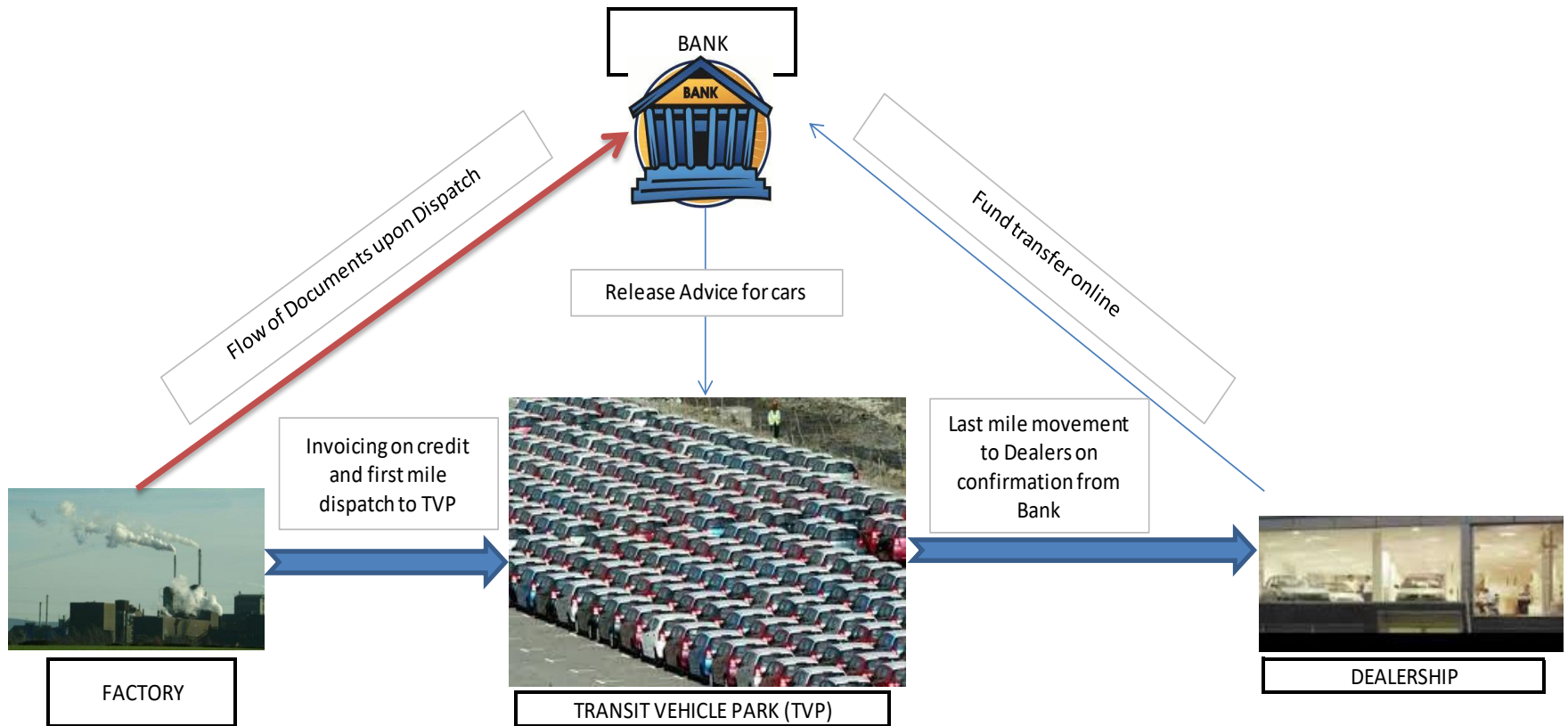
Weekly Service from Chennai to North Dealers

Current Scenario – Sale Of Cars to dealer.



NOTE: Excise duty (Excise duty + Automobile Cess+ NCCD+ Education Cess) is different for each Car and Their Fuel type. It ranges from 13.5 % - 28.9%.

Process followed by OEMs for Holding vehicles : Study Purpose

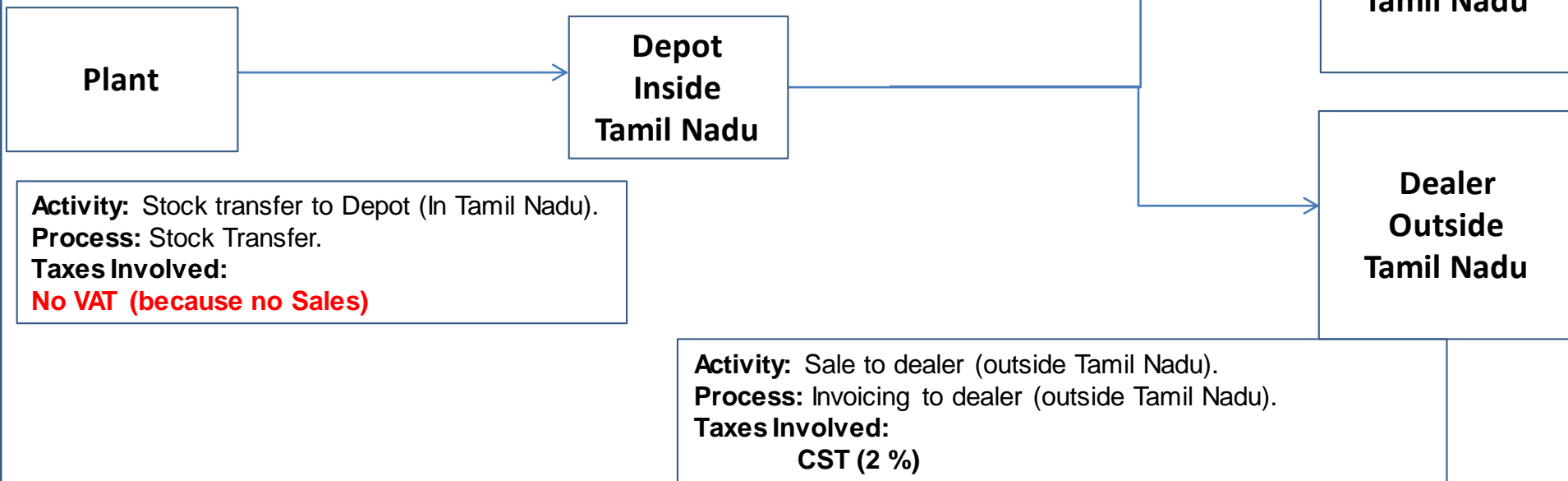


Memo

- 1) The cars are invoiced (**Excise Duty Paid**) in the name of dealer and sent to the TVP.
- 2) Company gives a free period of Transit time to TVP + 7 days, if the dealer fails to pick the cars beyond free period, they are charged interest.
- 3) Maximum time of 30 days the car can stay at TVP, if not it shipped to the dealer.
- 4) Dealer cannot order any other vehicle if any car older than 30 days is available at TVP for that dealer.

Potential Scenario – Stock Transfer of Cars to Depot. (Interim prior to GST)

Stock transfer to Depot Inside Tamil Nadu and sale to dealer inside and Outside Tamil Nadu from the Depot.



NOTE: Excise duty (Excise duty + Automobile Cess + NCCD+ Education Cess) is different for each Car and Their Fuel type. It ranges from 13.5 % - 28.9%.

Potential Scenario – Stock Transfer of Cars to Depot. (Interim prior to GST)

Stock transfer to Depot outside Tamil Nadu and sale to dealer inside and Outside Tamil Nadu from the Depot.

Plant

Depot outside Tamil Nadu

Dealer Inside Tamil Nadu

Dealer Outside Tamil Nadu

Activity: Sale to dealer (in Tamil Nadu).
Process: Invoicing to dealer (in Tamil Nadu).
Taxes Involved:
 CST (2 %) – Non - Refundable.

Activity: Stock transfer to Depot (Outside Tamil Nadu).
Process: Stock Transfer.
Taxes Involved:
No CST (because no sales)

Activity: Sale to dealer (outside Tamil Nadu).
Process: Invoicing to dealer (outside Tamil Nadu).
Taxes Involved:
 CST (2 %) – Non - Refundable.
 (if the Depot and dealer are in different states)
 VAT (Range 12.5-15.5%) – Non - Refundable.
 (if the Depot and dealer are in Same / across states)

NOTE: Excise duty (Excise duty + Automobile Cess+ NCCD+ Education Cess) is different for each Car and Their Fuel type. It ranges from 13.5 % - 28.9%.
 VAT Rate varies from state to state, hence in the above case the VAT % will be for the one we will be having the depot.

GST Scenario (Sale to Dealer)

Invoice to dealer in India

Plant

Dealer

Activity: Sale to dealer
Process: Invoicing to dealer

Taxes Involved:
CGST (Central GST)
SGST (State GST)
IGST (Interstate GST)

Additional Tax of 1 % applicable as per Union Budget 2015 -2016

Current Tax Vs Potential GST Rates for Finished Vehicles

Segment	Current Levies			GST Rate (Illustration)			Difference
	Central Excise	VAT	Total	CGST	SGST	Total	
Small Passenger Cars (<1500 CC and < 4000 mm)	9.4%	14.50%	24%	10%	10%	20%	-4%
Mid Size Passenger Cars (> 1500 CC and > 4000mm)	21.76%	14.50%	36%	10%	10%	20%	-16%

Note :

Central Excise include ED + Automobile CESS + NCCD + Educational CESS

Sales within TN Considered

SUMMARY

Goods and Service Tax (GST) will make significant influence on improving logistics business performance.

GST is expected to roll out effective April 2016 as per India budget 2015-16 outcomes.

GST will centralize separate taxes and duties paid across multiple states. It helps to unify the documentation and permits, with a single document and invoice covering the entire country.

Introduction of GST will enable Auto OEMs in the following areas

- Upfront cost reduction of passenger vehicles, results price reduction to consumers.
- Total logistics cost reduction and free part / vehicle movements across states (Ex. Central Sales Tax (CST) elimination will help large warehouse/vehicle holding center(VHC) establishment anywhere in India).
- Driver's time reduction in inter-state movement.
- Promote the bulk movement.

Overall GST introduction will generate growth in India's Gross Domestic Product (GDP).

GST Impact to be assessed

Tax Incentive for automotive Logistics

Stock transfers (no tax impact currently)

Cash flow assessment

Automation Environment

Ford India - Multimodal Logistics Vision – Future State



Ford India's Vision is to Drive towards an Integrated Multimodal Logistics Solution



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