



## **GST could also reduce avoidable litigation. A large part of tax exemptions, which the new system seeks to minimize**

**In your opinion, why do you think the GST rollout is a watershed moment for Indian industry and India's economy?**

**I**t has been termed a potential game changer, the single biggest tax reform undertaken by India in 70 years of independence, one the government says is founded on the concept of "one nation, one market, one tax."

The moment, which India has waited for more than a decade, is finally beckoning. On 1 July, a single indirect tax regime has kicked into force in Asia's third largest economy, dismantling inter-state barriers to trade in goods and services.

Essentially, the \$2.4-trillion economy is making a bold attempt to transform itself by removing internal tariff barriers and collapsing 17 central, state and local body taxes into a single GST.

Corporate and consumer expectations of the tax reform, which some economists say could add between 1 and 2 percentage points to India's annual growth rate, are high. Policymakers are betting on GST to achieve various economic goals in one stroke—promoting the manufacturing sector, boosting exports by making production more competitive, creating more jobs, improving the investment climate, cutting down tax evasion and lowering the compliance cost to businesses.

In the pre-GST regime, the federal government taxed production of goods and supply of services, while states got to tax sale of goods but not supply of services. In GST, this barrier is removed and both the federal and state governments get to tax the entire value chain of goods and services, increasing compliance.

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**It is believed that the implementation of the GST (deemed as one of the most complex reforms in the world ) Is a breakthrough Reform for Indian manufacturing. Please share with us your views on the impact on the Indian manufacturing sector as also on your industry.**

The manufacturing sector in India is not only plagued with concerns ranging from decline in exports and infrastructure spending but also with the burden of complying with a complex indirect taxation system. Multiple indirect tax legislations have led to significant compliance and administrative costs, classification and valuation disputes and generally impaired the ease of doing business in this sector. The implementation of goods and services tax (GST) is therefore critical and necessary to give a boost to an already flagging sector.

Companies have set up units with significant investment outlays based on incentives offered by States under their respective investment promotion policies. These incentives are usually in the form of tariff incentives (lower tax rates, refund /deferment of taxes etc.) and non-tariff incentives (economical land lease terms, lower electricity duty etc.). At present, States have the flexibility to offer such incentives. However, under the GST regime, such flexibility given to the States is likely to be curtailed to achieve the intended effect of uniformity. Further, the Model GST Law does not clarify the fate of current incentives. Companies which have based their financial projections around these fiscal incentives may have to reassess their projections.

The implementation of GST will also signal a move away from the producer State tax system to a consumption State tax system. Producer States will have a lower financial incentive to offer such concessions, as GST will only be credited to the State where the supplies are consumed, as opposed to the present situation where the producer State is credited with central sales tax on

inter-state sales. This would lead to a loss of revenue for the producer States and therefore such States may not be in a financial position to continue offering such incentives, even though there may be other compelling reasons such as generation of labour, improvement of infrastructure, market creation etc. However, it seems likely that future incentives may only be non-tariff based.

Since the GST primarily functions on a consumption State tax system and the state trade boundaries have vanished under the new rule; it has thrown up few challenges:

1. Channel Management : Each partner has the whole country to supply for and they can provide the tax set off irrespective their area of operation.
2. Incentives for Manufacturers : Certain states have provided benefits to attract manufacturing to the respective state. The fate of that is unknown and does not look promising.
3. Imports vs local production: This is a challenge the Government is addressing and will continue monitoring in the future.

Welding Equipment industry per se faces similar challenges and we wait for the Governments policy on manufacturing to differentiate the cheap imports against local manufacturing.

“Make in India” concept and “Skill India” idea gets diluted under the GST umbrella. The “supplier” (irrespective of a manufacturer or trader) can pass on the same benefit irrespective of its status.

**It is assumed that the ‘Ease of Doing Business’ in India is set to improve with the GST rollout, and FDI is expected to substantially grow. Please share your views on this.**

GST seeks to move away from a system in which tax is added on to the post-tax value of goods from the previous stage in the value chain, which has led to a compounding effect of tax-on-tax on commodities and services. The reform seeks to remove this anomaly by giving full credit for taxes paid at the previous stage. At present, states try to maximize their revenue by denying full tax credit in case of inter-state commerce. Under GST,



interstate supplies will be taxed across the country at a uniform rate specified for the item with full credit settlement.

GST could also reduce avoidable litigation. A large part of tax litigation in India is around tax exemptions, which the new system seeks to minimize.

If the reform succeeds, it could improve the ease of doing business in India. Putting an end to a multilayered tax system, dismantling border check posts and eliminating the need for face-to-face meetings between executives and field officers of the tax department, will contribute to that.

**Please elaborate on company's operations in the country, Your Investments, Plants, Manpower, Quality Control, and the Products you Manufacture .**

**Please highlight the challenges you face and outline your vision and plans to leapfrog your business to the next level.**

Manufacturing is estimated to have an enormous impact on the well-being of Indian economy according to the Make in India initiative of the current Government. Currently contributing 14% of the Gross Domestic Product (GDP), the share of manufacturing is estimated to be up to 20% of the GDP of India in 2020.

"Achieving this growth demands a lot from all links in the manufacturing value chain. That is where digital welding can help by simplifying welding production, traceability and WPS management,".

#### **Enormous need for qualified welders by 2020**

With customers in railway, power, automotive and shipbuilding industries, Kemppi offers complete solutions of welding equipment, software and services for manual, mechanised and automated welding worldwide. In the last few years, welding quality management has been in the spotlight across several industries.

"In India, manufacturing companies are searching for more quality systems which are integrated with EN/ASME standards. There will be an enormous need for qualified welders within the coming years. It has been estimated that India needs up to five million new qualified welders by 2020. This is a challenge for the whole manufacturing industry,

and Kemppi wants to take a central role in this development,"

Kemppi works closely together with national welding institutes, universities, and other professional development organisations. It is a member of a network covering 25 universities and colleges in India targeting to develop modern welding skills. The new skillset combining MIG, MAG, MMA and TIG with new generation technology is critical in ensuring the quality of welding in the midst of new materials and technologies, complex end-products and versatile customer demands.

#### **R&D&I as the heart of Kemppi**

"Research, development and innovation (R&D&I) form the heart of Kemppi. 10% of our annual turnover is allocated to R&D activities, and up to 50% of our development resources is dedicated to product testing. All this builds on our understanding of our customers' needs and challenges as well as our commitment to solve them as intelligently as possible,". Investments in R&D have certainly paid off. Kemppi was the first company in the welding world to introduce the inverter power source already in the 1970s. Since then, inverter technology has established its position as the most common power source technology in the world. The company continued to redefine existing technology solutions and was the first manufacturer in the world to use digital welding technology already in 1993.

#### **Quality welds require quality equipment**

The full potential of the Internet of Welding TM was harnessed when Kemppi launched WeldEye, the universal welding management software in 2016. Last year also saw the rise of the most intelligent industrial welding system, the X8 MIG Welder, with native connectivity to the Internet, extremely precise and fast control of the arc, digital WPS feature, and an advanced yet practical Control Pad for the remote control of the welding system.

"We also have our own component development to ensure our customers get sustainable premium products. The truth is that you cannot expect to have quality welds without quality equipment,"