

# **IMPACT OF STOCK TRANSFER TO BRANCHES**

Under Central Excise, a registered manufacturer making a stock transfer of excisable goods, should pay excise duty on 100% plus 10 % of cost of production, and under VAT, on furnishing Form F, stock transfers are not taxable.

Under GST, 'Supply' includes transfers. The taxability of certain specific supplies without consideration and the concept of distinct persons, implies that stock transfer under GST is taxable. The taxability of stock transfers under GST will have an impact on cash flow. This is because, tax is paid on the date of stock transfer, and ITC is effectively used when stock is liquidated by the receiving branch.

Due to tax instances, the need for additional working capital arises and it will be a challenge for SMEs who operate with thin working capital. Examining the need for branches, effective planning of branches, and leveraging of cross branch transfers can reduce the impact on working capital.

So, ensure that an impact analysis is done on all different locations from where your business operates.

Also, a clear understanding of the kinds of taxes you need to pay whether IGST (which is inter operable) against a CGST and an SGST will help.

\*\*\*\*\*