

Date: November 11, 2013

To
Shri. Ajay Seth
The Commissioner of Commercial Taxes
Commercial Taxes Department,
Bangalore, Karnataka.

Subject: Seeking withdrawal of Readymade Garments from Notified List from the ambit of e-Sugam

Dear Sir,

It is my pleasure to write to you on behalf of the Retailers Association of India (RAI)!

Retailers Association of India (RAI) is the unified voice of Indian retailers. RAI works with all the stakeholders for creating the right environment for the growth of the modern retail industry in India. It encourages, develops and supports retailers to become modern and adopt best practices that will delight customers.

RAI is the representative body of Retailers in India having over 900 member establishments including large and small retailers in the country and represents over 98000 stores in India. RAI has a three charter aim of Retail Development, Facilitation and Propagation.

We appreciate the steps taken to bring in new additional concept of e-Sugams for sales and Purchases/Stock Inwards. However, due to huge volume of transactions inwards & outwards, it is very difficult to meet the compliance requirement. In other states like Uttar Pradesh, West Bengal, Uttaranchal and Assam, things are manageable as the permits are applicable for inwards.

We are, hereby, writing to you to express our concerns regarding e-Sugam compliances for ready-made Garments. Please find the key pointers as follows:

1. **Sales (Outward)**: For retail industry, especially in garment sector, 95% of the billing value is more than Rs. 20,000/-. This results in generation of e-Sugam for each sale and impairs retailer's ability to execute orders on time and also leads to increase in manpower.

2. Stock Transfers (Inward): Since retail industry has presence in most of the states in India and also as garment industry is part of fashion business, retailers have to replenish the fresh goods by taking back the old goods and to transfer these goods to other states where it is moving. In this regard, getting stock return data across India, having numerous retail outlets on a daily basis and updating in e-Sugam is difficult and slows down the ability to react on time.
3. Purchases (Inward): Similar to sales activity, purchases also have major impact due to e-Sugam applicability. Retailers procure goods from suppliers across India for which getting invoice data from them and entering into e-Sugam before they dispatch the goods, will further delay on-time receipt of goods in Karnataka.
4. Sales Returns (Inward): It is similar to own stores stock transfers inwards, as replenishment of fresh goods can't be done on time due to the reasons mentioned under stock transfers.
5. Import transactions: Retailers face difficulty in ensuring overseas vendors getting invoice date from them and getting them to mention e-Sugam document number in their invoice before they dispatch goods. Also, the transit timelines mentioned for e-Sugam validity will be difficult to comply with, as the transit time varies based on the mode of transport and country from which retailers import from 7 days to 30 days.
6. Retail transactions where home delivery is involved: While regular retail transaction at retail stores will not be subject to e-Sugam compliance as the delivery is made to the customer across the counter, retailers will face difficulty in ensuring for e-Sugam compliance for those retail transactions which involve home delivery, where even after generating a VAT invoice to the end customer will be subject to e-Sugam compliance.

Probable solutions

1. Monthly returns are comprehensive and capture all the information in terms of purchases and sales, by invoice, by dealer. The department will have access to requisite information on a monthly basis, which help them monitor. It would be operational feasible for companies to extract information from their Information Technology system and upload the same in the monthly returns. The department will have all the information from monthly returns and hence the need to e-Sugam could be dispensed with. There can be two type of dealers, dealers in the green channel for whom monthly returns filing should be sufficient and for those dealers who are not in the green channel for whom individual e-Sugam filing is a must.

2. If not possible to withdraw fully for sales and all inwards, then the limit must be increased to more than Rs.5 lakhs instead of Rs.20,000/- per transaction.
3. Multiple user IDs for e-Sugam which will be required will result in additional manpower and risk of company information being available to multiple data entry operators.
4. Local stock movements must be fully removed from e-Sugam applicability as both the purchasing and selling dealer will be within ambit of Karnataka VAT authorities and all dealers have to file monthly returns.
5. Exempt transactions at retail outlets where the sales is to end consumers from e-Sugam compliance, as in the current notification retail transaction that have a home delivery element will be subject to e-Sugam compliance.

We, hence, propose to exempt ready-made Garments from the notified list.

We hope and believe that you will receive our representation favorably and look forward to your kind action in this regard.

Looking forward to an early reply,

Yours sincerely,

For Retailers Association of India



Gautam Jain
Head – Advocacy & Finance