

Why you should close your depot under GST

There is a huge probability that the number of stock points in your company's supply chain is going to significantly reduce under GST. Here is why.

Currently, one of the biggest reasons for businesses to have depots in different states was [tax benefits](#). So a head office say in Maharashtra would transfer stock without paying any taxes to its depot in the state of say Gujarat and when this depot makes local sales in the state of Gujrat it would bill in the local VAT of the state of Gujarat.

Under GST, a [branch transfer is chargeable to tax](#) and is treated like any other supply. Therefore, making a branch transfer to depot would attract the same amount of tax as it would to send goods directly to customer. So why would one send goods to a depot? So the depot loses its value substantially under the GST regime.

So how would you decide which depots you should keep and which depots you should shutdown?

I believe this one important question that you must ask yourself.

Where would my business not be compromised if no depot is present?

This would help you [evaluate which are the depots](#) that are important as a business consideration and which are the ones you can close.

Reduction in number of stock points could substantially reduce your working capital blockage and increase [tax efficiency](#) under GST.

This must be evaluated by the marketing team where there is one, based on the number of stock points in the supply chain.

In subsequent videos we are going to talk about strategies on [production and supply chain](#) and other issues.

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