Roadmap to GST considering latest developments 15.05.15

Implementation of GST is set to be the biggest tax reform hitherto ushered in the country.

GST will be a Destination based Consumption Tax & will cover both intra State and Inter State trade & Commerce. Inter State Sales will be subjected to IGST which is combination of CGST & SGST.

With the original date for its introduction in April 1, 2010, missed due to various reasons, business community is eagerly looking forward to its promised new date of April 1, 2016 & is therefore monitoring all major GST developments that are taking place under new regime.

Of these developments one very important development that has happened is 122nd Constitution Amendment Bill, 2014, which has been tabled by the Central Government before the Parliament This Bill replaces an earlier bill introduced in 2011 by the erstwhile government which had since lapsed.

This Article discusses scenarios under GST regime in the light of recent developments under following 3 major headings.

A. Broad Features of GST as reflected in the Constitution Amendment Bill and other announcements.
B. Macro Level Implications for Government & Policy makers
C. Implications at Micro Level of an Individual Business Enterprise

Part A Broad Features of GST as reflected in the Constitution Amendment Bill and other announcements.

1. The Bill proposes to replace the current Indirect tax regime consisting of multiplicity of taxes with a single tax. At present the Constitution does not provide for any concurrent taxation powers to the Centre as well as the States for the same subject matter of tax.

2. The Constitution is therefore proposed to be amended for conferring concurrent taxing powers on the Centre & States for levying GST on every transaction of **supply of goods or services or both**. The GST shall replace a number of indirect taxes being levied by the Union and the State Governments and is intended to remove cascading effect of taxes and provide for a common national market for goods and services. The proposed Central and State GST will be levied on all transactions involving supply of goods and services, except for few goods which are kept out of the purview of the GST. Once the new tax system comes into place, there will be three indirect taxes namely Central GST (CGST), State GST (SGST) and Integrated GST (IGST) apart from the customs duty which is levied only on imported goods.

3. The proposed Bill, provides for

A. Subsuming of various Central indirect taxes and levies such as Central Excise Duty, Additional Excise Duties, Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, Special Additional Duty of Customs, and Central Surcharges and Cesses so far as they relate to the supply of goods and services.

B. Subsuming of State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax, Taxes on lottery, betting and gambling; and State cesses and surcharges in so far as they relate to supply of goods and services.

C. **The GST will be levied on imports with necessary Constitutional Amendments**. Both CGST and SGST will be levied on import of goods and services into the country. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the GST paid on import of goods and services

D. Dispensing with the concept of ‘declared goods of special importance’

E. Levy of Integrated GST on inter-State transactions of goods and services.

In the existing system, inter-State transactions of goods are taxable under the Central Sales Tax Act, 1956 with the revenue being collected and retained by the originating State. The tax on CST purchases is not allowed as an input tax credit and hence it distorts the supply chain, cost structure and product pricing.

In the existing system there is no separate levy of service tax on inter-State transactions of services since services are taxed only by the Centre through Finance Act, 1994.

The proposed IGST model involves the following:

i. Centre would levy IGST which would be the aggregate of CGST and SGST rates.

ii. IGST would be levied on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services .

iii. Inter-State dealer will pay IGST after adjusting available, IGST, CGST and SGST on his purchases.

iv. The seller in State-A will pay the IGST to the Centre.

v. While paying IGST the seller will adjust against available credit of IGST, CGST and SGST.

vi. State Government-A will have to transfer the credit of SGST used by the seller for payment of IGST to the Centre.

vii. Buyer in State-B can avail credit of the IGST charged.

viii. Buyer in State-B can use the IGST to discharge output tax liability in his own State.

ix. Centre has to transfer credit of IGST used for payment of SGST to State Government-B.

The model broadly is based on the philosophy that if a State tax (SGST) credit has been used to pay a Central tax (IGST) then the said State will have to transfer the amount of SGST used to the Centre. Similarly, if a Central tax (IGST) credit has been used to pay a State tax (SGST) then the Centre has to transfer the amount of IGST used to the State.

The entire process would be facilitated through a clearing house mechanism.

Every State would be both selling and purchasing State and therefore there would be netting of funds through the clearing house.

The input tax credit chain is uninterrupted and the buyer in another State is in a position to avail credit of the IGST charged by the seller in one State.

The possibility of unutilized credit in a seller State is minimized since the seller would have used the credits available to pay the IGST.

F. Levy of an additional tax on **supply of goods**, not exceeding one per cent. In the course of inter-State trade or commerce to be collected by the Government of India for a period of two years, and assigned to the States from where the supply originates. **No input tax credit (ITC) would be available for such taxes, and thus with each inter-state supply there will be cascading of taxes leading to inflation.** It will be worse in the case of stock transfer which takes place over a spread of number of States. At each border, there would be inevitable compliance costs, and besides that, this tax would keep on accumulating (in the absence of any credit), finally making the credit-less tax a huge burden on the taxpayer.

G. Conferring concurrent power upon Parliament and the State Legislatures to make laws governing GST

H. Coverage of all goods and services, **except alcoholic liquor for human consumption**, under GST. In case of petroleum and petroleum products, it has been provided that these goods shall not be subject to the levy of GST till a date notified on the recommendation of the GST Council.

I. Compensation to the States for loss of revenue arising on account of implementation of the GST upto a period of five years;

J. Creation of GST Council to examine issues relating to GST and make recommendations to the Union and the States on parameters like rates, exemption list and threshold limits. The Council shall function under the Chairmanship of the Union Finance Minister and will have the Union Minister of State in charge of Revenue or Finance as member, along with the Minister in-charge of Finance or Taxation or any other Minister nominated by each State Government. It is further provided that every decision of the Council shall be taken by a majority of not less than three-fourths of the weighted votes of the members present wherein the vote of the Central Government shall have a weightage of one-third of the total votes cast, and the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast in that meeting.

4. Important Legal Provisions in the Amendment Bill

<u>Insertion of Article 246A</u>
This is to Facilitate the Parliament & States to make laws in regard to Goods & Service Tax Imposed by Union or such State

Accordingly Article 246A provides as follows.

> Notwithstanding anything contained in articles 246 and 254, Parliament, and. subject to clause (2), the Legislature of every State, have power to make laws with respect to GST imposed by the Union or by such state.
> Parliament has exclusive power to make laws with respect to GST where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.
>
> Explanation: – The provisions of this article, shall, in respect of GST referred to in clause (5), of article 279A, take effect from the date recommended by the Goods & Service Tax Council"

<u>Insertion of Article 269A</u>

This is to facilitate apportionment of Interstate Taxes on Supply of Goods and Services

Article 269 facilitates levy and collection of interstate tax on sale and consignment of goods for being assigned to States. Now a separate article 269A has been inserted to apportion such taxes levied on both goods and services.

Accordingly Article 246A provides as follows.

> Goods and service tax on supplies in course of inter-state trade or commerce shall be levied and collected by government of India and such tax shall be apportioned between the Union and states in the manner as may be provided by the parliament by law on recommendations of goods and service tax council.
>
> Explanation: – For the purpose of this clause, supply of goods, or of services, or both in course of import into the territory of India shall be deemed to be supply of goods or of services or both in course of inter-state trade or commerce.

(2) Parliament may by law, formulate the principles for the determining the place of supply, and when a supply of goods, or of services, or of both takes place in course of interstate trade or commerce."

At present inter-State supply of goods attract Central Sales Tax. Now, an inter-State supply of goods or services will attract IGST ((i.e. CGST plus SGST)

It may be noted that IGST will be levied and collected by the Centre and proceeds of IGST will be shared amongst the Centre and the States.

Thus, import of goods will attract BCD and IGST. It may be noted that import of services, as against service tax at present, in GST regime, will attract IGST.

Insertion of New Definitions in Article 366

Through these definitions every commercial transaction is sought to be covered under GST by including under the terms Service anything other than goods.

New clause 12A
"Goods and Service Tax " means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

Thus, all supply of goods or services or both will attract CGST (to be levied by Centre) and SGST (to be levied by State). As GST will be applicable on 'supply' the erstwhile taxable events such as 'manufacture', 'sale', 'provision of services' etc. will lose their relevance.

It may be noted that the term 'supply' is not defined or elaborated or qualified (such as supply for a consideration). Thus, it needs to be seen whether even free supply will attract GST.

New clause 26A
"Services" means anything other than goods

Amendment of Seventh Schedule.

In the Union List

a) for entry 84, the following entry shall be substituted, namely

84. Duties of excise on the following goods manufactured or produced in India, namely:—
petroleum crude;
high speed diesel;
motor spirit (commonly known as petrol);
natural gas;
aviation turbine fuel; and
tobacco and tobacco products.

Existing entry 84 levies excise duty all goods manufactured or produced in India except alcoholic liquors & drugs.

With this amendment now excise duty will be retained only for petroleum products and tobacco products. Manufacture of all other goods will now be under GST

b) entries 92 and 92C shall be omitted

These entries at present relate to

92. Taxes on the sale or purchase of newspapers and on advertisements published therein.

92C. Taxes on services

With this amendment now tax on services and newspaper advertisements is removed from exclusive domain of Centre so that it is now alos available to the States.

<u>In the State List</u>

c) entry 52 shall be omitted

This entry at present relates to

52. Taxes on the entry of goods into a local area for consumption, use or sale therein.

This deletion enables coverage of entry tax and octroi into GST

d) for entry 54, the following entry shall be substituted, namely:—
54. Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods.";

This entry at present relates to

54. Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I.

With this amendment now State VAT will be applicable only on local sales of petroleum products and alcohol.

e) for entry 62, the following entry shall be substituted, namely:—
62. Taxes on entertainments and amusements to the extent levied
and collected by a Panchayat or a Municipality or a Regional Council or
a District Council.".

This entry at present relates to

62. Taxes on luxuries, including taxes on entertainments, amusements,
betting and gambling.

With this amendment Luxury tax & Entertainment tax levied by States is covered under GST and entertainment tax can now be levied only by municipal bodies and not by State Government f)

B. Macro Level Implications for Government & Policy makers

1. Need for Approval for major Amendments in Constitution

Bill needs to be approved by a two-third majority of the house. After this, it needs to be endorsed by at least half of the State Assemblies (15). Then the Centre will introduce separate legislation for GST. States, too, will be required to bring in legislations.

Amid stiff resistance followed by walk out by the Congress Members, the Lok Sabha on May 6, 2015 had passed the much awaited Constitution (122nd Amendment) Bill, 2014 on Goods and Services Tax (GST) with 2/3rd majority. Being a Constitutional Amendment Bill, it needs two-thirds of both houses to vote in its favour followed by its ratification by at least 50% of the States before it becomes law of the land.

With no consenus in sight and the Modi Government facing a number crunch in the Rajya Sabha, long-pending GST Constitutional Amendment Bill was on Tuesday, May 12, 2015 referred to a Select Panel after the opposition insisted on its legislative scrutiny.

The Select Committee is scheduled to submit its report in the first week of the monsoon session of Parliament so that the Government can debate the GST Constitutional Amendment Bill and get it passed by the middle of this fiscal.

The move may delay the roll out of GST from April 1, 2016. The only hope for the GST Constitutional Amendment Bill will now be in the monsoon session of Parliament in July 2015.

2. Fixation GST Rate & Threshold Limit

The RNR (Revenue Neutral Rate) based on updated data has now been reported to be in the range of 20 to 23 per cent. Even the Finance Minister (FM) has conceded in the Lok Sabha that a GST rate of 27% considered earlier would be very high, and assured the House that it would be much below 27%.

In terms of the Bill, final GST rate(s) would be decided by the GST Council. Before deciding on the GST rate(s), the Centre and States would, first of all, have to finalise the threshold and the number of exemptions so as to know the final taxbase. The States have favoured a threshold of Rs 10 lakhs whereas the Centre is in favour of Rs 25 lakhs. Economists across the world, are in favour of a high threshold. That will keep very small entities, who in any case do not contribute much to the revenue, out of the GST ambit. Taxing 'small business' has never been cost-effective.

While on the GST rate, it may be noted that the VAT/GST rates across the world vary between 16% to 20%. With the eroded base because of the exclusion of Petroleum and Alcohol, India may decide on slightly higher than 20 percent rate to start with, and gradually bring it down after the revenue collection goes up because of tax buoyancy and efficiency of technology-supported GST collection system.

As for the inflation and growth, if the GST rate is pegged between 20 and 23 percent, that would be far below the present incidence of Central Excise and States indirect taxes that would be subsumed in GST (which is on a very rough basis estimated to be around 30%). Besides the reduction of incidence of tax, in the GST regime the compliance cost – both visible and the invisible ones - will come down because of subsuming of multiple taxes that are being administered at present by multiple tax authorities. This will also be a factor to bring down the prices of goods and services. In turn, this will lead to more money in the hands of the investors who would then make more investment and that would lead to more employment and ultimately more growth and increase in GDP.

3. Law changes for Situs of Sale

GST is going to be a destination based consumption tax.

Place of supply of goods or services or both will therefore be very important element of taxable event under GST.

In case of CGST tax revenue will go to Central Government and barring exports issues of Situs of Sale will not become very critical. However determination of Situs of Sale will be crucial for identification of State Government to which IGST & SGST on a particular sale transaction should be paid.

Provisions of Place of Provision of Service Rules 2012 can be borrowed for determination for place of supply of service and with certain modifications can be applied for goods also. Consideration of current CST law provisions under Sections 3,4 & 5 can also be very important guiding factor in determination of place of supply for goods.

Today a sizeable portion of transactions relating to goods and services take place through e-commerce. The policy makers will have to study taxability of these transactions critically and then frame the rules on this matter, taking care of all the foreseeable issues.

Centre and the States will have to each legislate, levy and administer the Central GST and State GST, separately. Major reorganization of current tax administration will be required to be undertaken for this purpose.

Draft laws and rules relating to GST must be put in the public domain well in advance so as to have effective consultations with the stakeholders. At a later stage when the laws and rules are finalised, government should publish 'Guidance on Application of Law' and publicise it.

Legal provisions of great importance would be 'place of supply of goods and services rules', business processes like registration, returns, audit and refund - just to name a few, and of course, the Draft Model GST law which would be followed by both the Centre and the States.

With less than 11 months left, it is imperative to put these draft provisions on government websites sooner than later.

4. Set off Rules for Credit of Input Taxes

Credit of Input CGST, SGST & IGST will be available throughout the logistics chain for supply of goods and services with no distinction between Intra State and Inter State Trade and this will provide significant additional credits currently missed out on purchases from and by traders.

This is going to be the single most important contributor to creation of common nation wide market for goods and services that will finally result in significant GDP growth for the economy as a whole.

5. Treatment of transactions involving goods and services

With unified GST, major issues concerning levy of both service tax and VAT on the same transactions, leading to double taxation, would get solved. However transaction will get taxed twice, once under CGST & then under SGST. Thus sale of software licenses would continue to get levied under the CGST as well as, under the, SGST **.**

6. **Explosion in the number of tax payers and the challenges for tax administration**
   There will be an explosion in the number of tax payers under GST. As per a preliminary estimate, the number on Central side should go up to something like 30 Lakhs as against one lakh Central Excise assesses and seven to eight lakhs active assessees on the Service Tax side. Substantially more increases can be expected on SGST front, with addition of service providers who are presently out of VAT administration**.**

7. **Information Technology Support for Massive database & clearing under IGST**

   The main task before the government before actual GST roll-out will be to computerise the commercial tax departments in all states.

   Many states have already started the process of automating their commercial tax departments. Tata Consultancy Services (TCS), for example, is working with 11 states to automate their commercial tax collection. Once GST is introduced, all the states would have to quickly gear-up to get into the GST regime by taking their IT infrastructure and applications up and running

   It's because there are intricate linkages between the central government and the state governments under a GST regime. If one level is not correlated with the other, then there will be a break in linkage and data flow and that will affect GST computation

   According to the IT strategy for GST reporting, there has been a consensus on a common portal providing three core services — registration, returns and payments. GST will be a dual tax, with both the central and state component levied on the same base. The integrated GST framework will be used for goods and services exported across state boundaries. Thus, all goods and services, barring a few exceptions, would be brought into the GST base.

   Government has set up a special purpose vehicle named as Goods and Services Tax Network (GSTN) to provide information technology support to various stakeholders under the proposed GST. This network will bring together taxation data from the Centre and states that was so far processed separately. The GSTN is already in place as a private limited company. This body will control all new indirect tax data from the Centre and states and will have access to past data as well. The charges it will impose for processing this data will be the revenue that sustains its operations.

   It is assured that the GST Net would merely facilitate tax-payers services in an integrated manner while the core and statutory functions of the taxmen would remain intact

   Biggest task of this Network is going to be seamless management of clearing house work in respect of huge IGST transactions.

   For better interaction and compliance from tax payers GSTN should periodically inform the stakeholders about the progress of work in this most important area of GST implementation.

   Demat Model as in case of TDS will be implemented whereby a seller would file his returns with the details of GST collected from each of buyer electronically and the buyer would avail the said credit against his liability payable.

C. Implications at Micro Level of an Individual Business Enterprise

CGST will start from the manufacturer and go through the first stage dealer, the second stage dealer right up to the retail level. The State governments will be taxing the services which was hitherto in the excusive domain of the Central Government.

Expected GST rate is 24% of value(to be equally divided between CGST & SGST). Standard rate for CGST & SGST each is likely to be 12 per cent and will apply to a majority of the goods.

GST will lower the tax rate but will broaden the tax base. Exemptions and concessions will be minimized. It will reduce distortions by completely switching to the destination principle. **It will foster a common market across the country and reduce compliance costs.**

No cross credits between the two variations of GST, will be allowed meaning that credit of CGST cannot be availed against liability of SGST and vice-versa, except for IGST. In respect of import of goods into India, the CGST and IGST paid to be availed as credit based on destination principle

Compliances

Payment of Tax
CGST and SGST should be collected separately and paid into the accounts of Centre and State respectively

Registrations
Each taxpayer to be allotted a PAN linked taxpayer identification number (TIN). This would be in line with the existing PAN based system for Income Tax and facilitate tax payers data exchange and tax payer compliance. All inter-State dealers to be e-registered and would have to communicate through emails.

Returns
Separate returns to be filed for CGST and SGST. However, it is envisaged that the return formats would be common to the extent practicable.

Refunds
Refund of unutilized CGST and SGST to be completed in a time bound manner. The procedures and timeline are yet to be clarified.

Assessments etc
The functions of assessment, enforcement, scrutiny and audit would be undertaken by the authority collecting the tax with information sharing between Centre and States.

Roadmap to GST considering latest developments 15.05.15

A comparison of the applicability of GST vis-à-vis the current scheme of taxation is provided hereunder.

Party	Proposed GST structure	Current scheme of taxation
Importer	**-Basic customs duty -CGST -SGST**	**- Basic customs duty - Countervailing duty - Special additional duty of customs - Protective duties - Surcharges and cesses**
Manufacturer	**-CGST + SGST Or IGST**	**- Excise duty (multiple, in certain cases) - VAT /CST - Entry tax**
Reseller	**-CGST + SGST Or IGST**	**- VAT /CST - Entry tax purchase tax**
Services provider	**-CGST + SGST Or IGST**	**- Service tax**
Work contractors	**-CGST + SGST Or IGST**	**- VAT/CST - Service tax - Entry tax - purchase tax**

With such a paradigm shift in Indirect Taxation, business enterprises have to take a close look at their business models today. They need to quantify how their vertical and/or horizontal integration needs will be influenced in the new regime.

It's very important for the taxpayers from all sections of the society including the corporate India to be GST-ready. GST would impact every segment of the business from financial reporting and tax accounting to supply chain. The taxpayers would have to streamline processes and procedures suitably to reconfigure their IT and ERP systems and optimise their supply chain. GST would provide an opportunity for the industry to make their supply chain GST efficient. Preparing for GST itself would be a big management event. Given the complexity of taxing inter-state supply of services, the services sector would need a much higher effort in making a smooth transition to the compliance framework of GST.

The stakeholders would need to start training their employees without any further delay. It must be remembered that with the support of the GST Network, the robust IT infrastructure, the GST administration will be completely technology-based. Therefore, IT ability of a taxpayer is a minimum requirement.

1. Change in Taxable Value from present.

It is learnt that both CGST & SGST will be levied on same tax base. It appears therefore that both will be charged on same taxable value. This will be substantially different from present scheme of taxation where Central Taxes are charged first on the basic value of goods and State taxes are charged on a value which includes basic value and central taxes charged already. When both CGST & SGST will be charged on same taxable amount, total taxes paid can get reduced substantially**.**

2. Impact on Prices of Goods and Services in B2B Segment

Since GST will be based on VAT principles, credits will be available for input GST paid against Output GST, and impact on profitability will be insignificant.

3. Impact on Prices of Goods and Services in B2C Segment

Though tax base will broaden under GST and dual taxes will be payable, since tax credits will be available to all players in B2B part of the market chain, decreases are anticipated for industrial goods in terms of the final prices for the consumers. For the sake of simplicity it is assumed that market chain consists of manufacturer and only one distributor and goods are consumed by buyer after the stage of second seller itself. In real life conditions where there are long market chains, impact of dual taxation can get felt in the prices to final consumer.

Table

Stage 1 Manufacturer	Note Ref	Present		GST	
		Rate %	Amt Rs.	Rate %	Amt Rs.
Basic Price			100		100
Excise/CGST		12	12	12	12
SGCT	1	0	0	12	12
Cumulative Value			112		124
VAT		12.5	14	0	0
Cumulative Value for Distributor			126		124
Stage 2 Distributor					
Purchase Price	2		112		100
Profit For Distributor			10		10
Basic Price For Distributor			122		110
Excise / CGST	3	0	0	12	13
SGST		0	0	12	13
Cumulative Value			122		136
VAT		12.5	16	0	0
Cumulative Value i.e.					
Landed Price For customer			138		136

Increases are anticipated on the prices of services proper, offered in B2C segment, because combined rate of GST (CGST+SGST) is on a higher level than rate of service tax charged at present.

4. **Benefit of Credit of Input Tax paid on Purchases from Traders**
Credit of Input CGST will be available throughout the logistics chain for supply of goods and will provide significant additional credits currently missed out on purchases from traders, who are not registered under Excise.

Service tax on SGST will now be available for set off against SGST on goods. Big relief thus will be available to traders who do not get any credit for service tax paid by them on input services.

5. Strategic Business Decisions

Under GST one can completely break up every stage of production into a separate company and there would be practically no impact on the total taxes one pays. Outsourcing of production processes or entire production activity if otherwise feasible can be profitably undertaken because **make or buy** decisions will not be influenced by tax considerations**.**

Economies of scale and Advantages of Division of Labour thus can be obtained on a larger scale than under present tax regime. Commerce & Industry can now concentrate on efficiency and can do only that in which it is best fitted. **No business unit will be tax driven to do those things forcefully in which it is inefficient.**

6. Unutilized Credits of Input Excise, Service Tax & VAT at cutoff date.
It can be expected that transition provisions will take care of Carry forward of accumulated cenvat credit and VAT credit remaining unutilized on GST effective date. Loss of this credit is not likely to happen.

7. Distortions due to different levels of threshold
A small manufacturer 'X' has taxable turnover below Rs 10 Lakhs, medium dealer 'Y' has taxable turnover below Rs 50 Lakhs and large dealer 'Z' has taxable turnover above Rs 150 Lakhs. If X directly sells goods to consumer, his goods will not suffer any GST, but if he sell to Y, his same goods will suffer SGST and if sells to Z, his same goods will suffer CGST as well as SGST. Same goods manufactured by X will have different tax treatment.

8. Treatment of transfers to branches & Job Work Transactions
One option would be impose IGST even for such transactions since that would facilitate a seamless credit mechanism. However, the discussion paper refers to GST on transactions of goods and services for consideration. The other option would be to zero rate stock transfers instead of exempting the same.