

COST OF COMPLIANCE UNDER GST

These days, Goods and Services Tax (GST) is a topic for discussion. It is a hot topic for the news rooms, the corporate boardrooms, trade and industry etc; this reform has almost gobbled up three parliamentary sessions. It is waiting to see the light of day hoping that the tug of war between the government and the opposition ends.

In the meanwhile, the Joint Committee, constituted by the Empowered Committee of State Finance Ministers, has made suitable recommendations for certain processes under GST, such as:

- i. Registration
- ii. Return
- iii. Payment
- iv. Refund processes

Since GST era is expected to be conceptually different from sales tax, service tax, excise duty etc; therefore, it is pertinent to shed light on issues which an assessee would encounter during the GST era.

1. Currently, levy of VAT/CST by states is 'Origin Based' and payable at the place where the movement of goods commences and under service tax, the place of supply is destination based

i.e. location of the service receiver. As already known, GST will be 'Destination Based' i.e. taxes will be paid where the service receiver/consumer of goods are located. Accordingly, the tax on supply of goods or service is required to be deposited in the state where the goods or services are consumed.

2. The facility of centralized registration, currently available to service tax and central excise assesses, will be discontinued under GST thus, making it incumbent for the assessee with offices/branches situated in different states to follow the following:
 - i. obtain registration in places where the goods / services are supplied
 - ii. maintain separate books of accounts for each such premises
 - iii. control/maintain records of payment and receipts (income and credit) for service rendered or supply of goods
3. The pain doesn't end here, as an organization would be required to file the following returns
 - i. Four Monthly
 - ii. One annual return,

Illustration

In case an assessee is registered in 6 states then the number of returns to be filed are as follows:

Sr. No.	Periodicity	No. of returns	No. of States	No. of returns yearly
I.	Monthly	4	6	288
ii.	Yearly	1	6	6
iii.	Total Returns			294

4. In the reports on business processes by the Joint Committee does not cover on the current Large Taxpayer Unit structure or the setting up of MOSS (mini one stop shop) type of facility as provided by European Union. An Indian tax payer supplying goods or services in multiple states should be provided option to obtain a centralized registered with single tax authority as it is done in the current service tax / central excise regime.
5. It is pertinent to understand that the current structure of GST has a resonance to affect every part of business in India with regards to cash flow, costing of capital, pricing of products and services, financial reporting, tax accounting, compliance processes, supply chain, procurements and contracts and all technology currently enabling this ecosystem. Furthermore, considerable efforts will have to be made by the assessee to impart training to their personnel for effective operation

and better understanding under this new regime. Certain processes namely GST registrations, tax credit transitions, return reporting, other statutory compliances, managed/ shared services, system changes in ERP, EI tools, other technology tools, compliance with GSTN requirements and for audit, automation, tax credits, payments and accounting, change assessment in accounting entries (including revised chart of accounts, compliance with Indian Accounting standards etc.) etc. are certain core which will require upgradation under the GST regime.

Conclusion:

The much anticipated GST regime seems to be a real pocket burner as it seems that considerable cost would be incurred by the assessee to effect a transition and to adapt to the compliances of the new regime.

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