GST Transformation
Is your Firm GST Ready?

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GST IMPLEMENTATION

- GST is one of the biggest Tax reform in the History of India since Independence. GST is intended to remove inefficiencies in the current Indirect Tax system in India by removing plethora of Indirect Taxes currently levied by Centre and state, removing the cascading effect of Tax and ensuring seamless flow of ITC throughout the supply chain. GST will change the way we do business today. With GST going Live in a few months your organization will soon be facing following questions:

Is your Business GST ready ? → Is your Accounting System GST Ready? → Have you taken adequate steps for GST Compliance? → Are you ready for tranfer of your existing ITC to GST?

Is your Business ready for GST?

With GST rolling out on 1 April 2017, it is crucial to understand the challenges arising from its implementation. Following are some of the challenges to be faced by the Industry:

- GST system is highly IT Oriented and *every process is to be done online* (All the Return Filling, Registration, Payments are to be made online through Goods and Service Tax Network (GSTN) Portal). Staff and Professionals who are Tech Savvy will be required.
- Final Input Tax credit available only if your supplier has paid GST Tax and filled GST return. *Concept of matching* is applicable under GST regime, ITC is allowed only for Invoices matched by both Supplier and Recipient.
- *Increased Compliance Burden*. Mandatory Three Monthly returns for every state and one annual return. Thus minimum 37 Returns are to be filled yearly for every state in which you operate. All the Sales Invoices during the month are required to be filled in Outward Supply return.
- *Unutilized Input Tax Credit* available under VAT and Central Excise needs to be evaluated and transferred to the Electronic Credit Register (State GST and Central GST respectively) under the GST regime.
- Heavy Penalties and fines on non compliance. GST Non compliance or delay will result in *Business Disruptions* and working issues.

Is your Business ready for GST? (contd…)

Following steps needs to be taken to get the business GST Ready:

Identifying Place of Supply

- Place of supply needs to ascertained by the business for indentifying Interstate or Intra State Supply.
- CGST and SGST to be levied on Intra State Supply and IGST to be levied on Intra state supplies

Transitional Provisions

- Unutilized Input Tax Credit available under VAT and Central Excise needs to be evaluated and transferred to the Electronic Credit Register
- Registration Under the GST Regime to be obtained for every state from where supply of goods takes place

Training

- Staff Training needs to be performed to ensure GST Compliance.
- Supplier Training to be perormed inorder to ensure benefit ITC is not delayed or denied.

Working Capital Impact

- Impact of GST on change in working capital requirement of the business to be ascertained.

Product Price

- Downward or Upward revision in prices of the products supplied by the organisation might be needed due to Increased/ Decreased Rate of Tax under GST, unavailability of ITC etc.

Is your accounting system GST Ready?

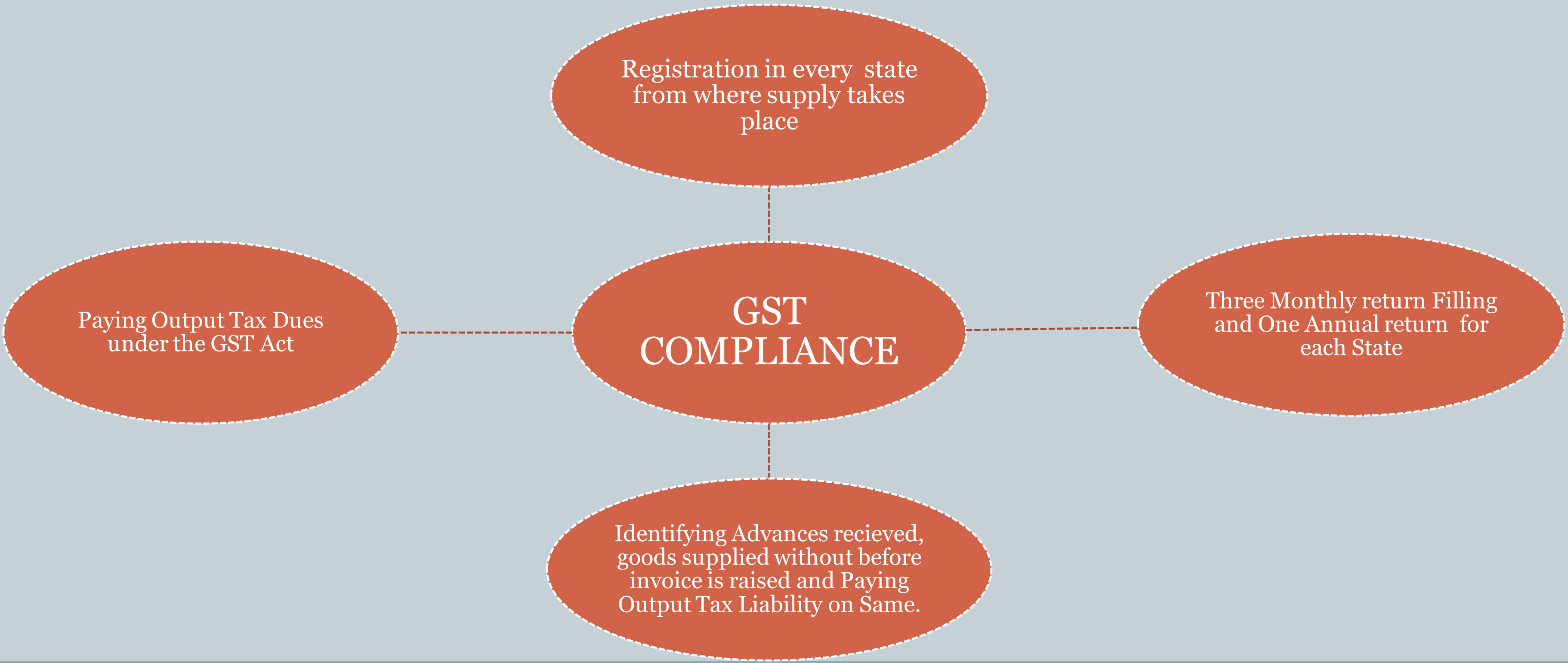
GST is not mere a tax change, it will impact the way business is run. Various organizations have already taken steps to make their accounting system GST ready. Every organization endeavors to target foolproof system of Internal Controls and Processes leading to no defaults and correct computation of their Tax Liabilities. With GST coming in India the overall Business Processes and Internal controls needs to be updated.

Following structural changes will be required in Accounting System to make it GST Ready:

- Chart of Accounts to be updated for CGST, SGST, IGST taxes, Interstate Supplies and Intra State supplies, ITC of CGST, IGST, SGST etc.
- Contracts with Suppliers, contractors need to renewed including therein new terms and conditions arising due to GST.
- Accounting system will be required to provide data to populate Multiple GST Returns, GST Compliant Tax Invoice and capture Input Tax Credit.
- Internal Controls to be upgraded to ensure that Input Tax Credit of GST paid is not missed.
- Data/ Information required for Internal reporting will also go substantial change. Modules in Accounting system needs to be fabricated to verify and reconcile Electronic Credit Ledger, Electronic Cash Ledger, Electronic Register.

Have you taken adequate steps for GST Compliance?

GST compliance will not only be necessary for complying with the tax provisions of the country but also for running the business. GST regime has incorporated a system of assigning **GST Compliance Rating** for every taxable person based on his record of compliance with the provisions of the GST Act. GST Compliance Rating will be updated in Goods and Service Tax Network Portal on periodical basis. Wait and watch attitude is not going to help it will only lead to supply failure, loosing business, higher cost of compliance and penalties.



Are you ready for transfer of existing Unutilized ITC to GST Regime?

Your Unutilized ITC of Vat and Central Excise is to be transferred as ITC of GST to Electronic Credit Register for utilization of payment of GST dues later.

Unutilized ITC of State VAT

State GST

Unutilized ITC of Central Excise

Central GST

Call to Action- Entrepreneurs

GST in the long run will be highly beneficial to the industry at large. The reform will bump up the GDP and will have far reaching benefits to the economy. Here's a look at the benefits:

- *Indirect Taxes get simpler*. GST will replace 17 Indirect Taxes levies thus it will remove various confusions and compliance cost.
- *A Common Market*. Whole of India will become one common market unlike now where it is fragmented along state lines.
- *Remove Cascading of Tax*
- *Reduced Logistics cost*. Under GST Regime Warehouses will be centrally located for PAN India unlike now where we have warehouse in each state.
- *Seamless Credit of ITC*

Considering the above benefits GST is a welcome step for the Industry but it will have glitches in the short run. Business houses should be ready or they will miss the train. Like in Malaysia when GST was rolled out on 1 April 2015, there were problems arising due to lack of awareness and preparedness. There were business disruptions, working issues, loss of clients and delay in compliances for many. Malaysian GST is fairly simple with single rate whereas Indian GST is much more complex with more than one rate and Sate, Centre and Interstate Taxations. Hence it is advised to all the Entrepreneurs to begin the preparation for GST while there is still time.

GST Roadmap

Impact Assessment	GST Design	GST Implementation	Go Live
• Business Process Understanding and review • Project Planning and defining Scope of Work • Imact on Current Product pricing • Impact on Working Capital • Impact on Business Processes and Internal Controls	• Exemptions, Tax Rates, Place of Supply, valuation • Accounting Changes • IT Changes • Internal Control Changes • Supplier contract Renegotiating • Blueprint Design • Unutilized ITC • Supply Chain Optimization	• Implementing the blueprint GST design as finalized • Master data Updation • Accounting System Upgrade • Business Processes Restructuring • Transitional Provisions • IT Changes • Staff and Suppliers Training	• GST Registrations • Input Tax Credit Transitions • Return Reporting • Other Statutory Compliances • Staff and Suppliers Training

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Thank You

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