

Now it is time to get ready for GST

The much-discussed dual control and cross-empowerment issues between centre and state government sorted out recently. Introduction of new indirect tax structure in form of GST looks more certain from 1st July 2017. It has been agreed that the states would have the power to assess and administer 90% of tax payers with less than Rs.1.5 crore annual turnover while the remaining would be controlled by the centre. For tax payers with more than Rs.1.5 crore annual turnover, the states and the centre would control and administer them in a 50:50 ratio. It appears that the central government has compromised on the issues and the government is eager to introduce the GST at any cost by July 2017.

Developments in progress

The revised model GST law has been released in November 2016 and enrolment process is also in progress in all the states for GST registration. The committee has started working on classification of goods including HSN and SAC with segregation based on various slabs. In next GST council meeting scheduled on 18th February 2017, the draft model GST laws may be finalised. GST bills could be further taken up for passage by parliament after this meeting. Subsequently, even state governments could take up the bills to pass the SGST laws. Even GST network has started beta testing of various reports and returns. All these developments indicate that the fact that introduction of GST from 1st July 2017 is not difficult for the government.

Understanding business impact through initial impact study

Introduction of GST would not only bring change in the tax structure of the country, but it would change the way business is done in India. It would be one of the most significant indirect tax reforms in the history of India. GST could impact almost every aspect and functions of the business. Therefore, it is time for the business entities to assess the impact of GST on their business. Following are few of the important aspects to be considered in the initial impact study which could be undertaken by professionals having good knowledge of business and indirect tax system in India including GST concepts:

- Understanding impact of GST on key business functions.
- Requirement of realignment of key business processes i.e. supply chain, finance, cash flow, procurement, standard operating procedures in line with GST.
- Identification of stress on cash flow due to change in mechanism of taxation.

- Understanding need for adaptation / changes in Information Technology system.
- Impact of change in credit mechanism and understanding credit restrictions.
- Vendor management including educating the vendors.
- Understanding requirement of contracts / agreement modification in line with GST.
- Understanding the transitional challenges and requirement of filing various declaration with the department.
- Understanding impact on registration considering single or separate registration.
- Assessing the advantage / disadvantages of continuing with depots, branches or godowns.
- Assessing the impact on litigation matters pending at various stages.

After understanding the impact of GST, there would be need to relook at the impact based on final GST law including various rules and regulations. As GST is a completely new indirect tax structure, IT infrastructure, transaction or process flow needs change. There would be key decisions to be taken by the entities during transitional phase. All these would need good amount of time to be spent by professionals to advice suitably. Therefore, it is time to get the GST impact study done from good professionals.

Initial impact study could be value additive

Initial impact study could add lot of value to business entities. In addition to understanding the impact of GST on the business, the entities could get following advantages through GST impact study when the review of present indirect tax is also considered:

- a) Identification of missed out credits under VAT, Central Excise and Service tax provisions.
- b) Identification of credits wrongly reversed during departmental audits and ascertaining possibility of availing credits now.
- c) Identification of credits reversed under protest and examination of its eligibility.
- d) Identification of credits disallowed during refund claim for exports made.
- e) Identification of export benefits such as drawback, foreign trade policy benefits.
- f) Tax planning and credit enhancement during transition phase.

Business entities need not look at initial impact study as a cost as this exercise could end up adding lot of value to the business. Value addition could be higher especially when impact study is undertaken along with brief study of present indirect tax compliance.

Conclusion: Introduction of GST from July 2017 looks certain and preparation from business community appears to be lackluster. Understanding the GST impact, taking key decisions, modification of IT infrastructure, process flow etc. need good amount of time to ensure smooth transition to GST. As the saying goes, 'A stitch in time saves nine', it is time for the entities to start preparing themselves for GST.

Please revert on mahadev@hiregange.com for any suggestions or recommendations.