Technology in GST

On 25th Thursday

Role of Technology in GST Implementation

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Agenda

1. Role of Technology in GST

2. Accounting + Software in GST

3. Reconciliations

4. Transitional Challenges in IT

5. Other areas – IT Support

1. Role of Technology in GST

Overview

- Technology or software is the backbone of GST

- Success or failure of implementation of GST is heavily dependent on technology

- GST will create a paradigm shift in how Small Business "run their day to day business"

- Its not a Tax Reform, it's a Business Reform

How digital India plays its role in GST?

- Communication with the department is in electronic form
  - Communication over e-mails - Registration till Assessments & Audit
  - Notices are served in Electronic form
  - Responses from assesse in Electronic form

- Signatures (DSCs / e-sign /EVC)

- Mechanism of filing returns has completely changed in GST regime

Modes available to file returns

1. GST Portal >> Form Entry / Excel Utility

2. GST Suvidha Providers (GSPs) >> GSTN

3. Offline/Online Utility thru (ASPs) >> GSP>>GSTN

4. Goods and services tax practitioners(GSTPs) >>ASP>>GSP>>GSTN

GSP Eco System
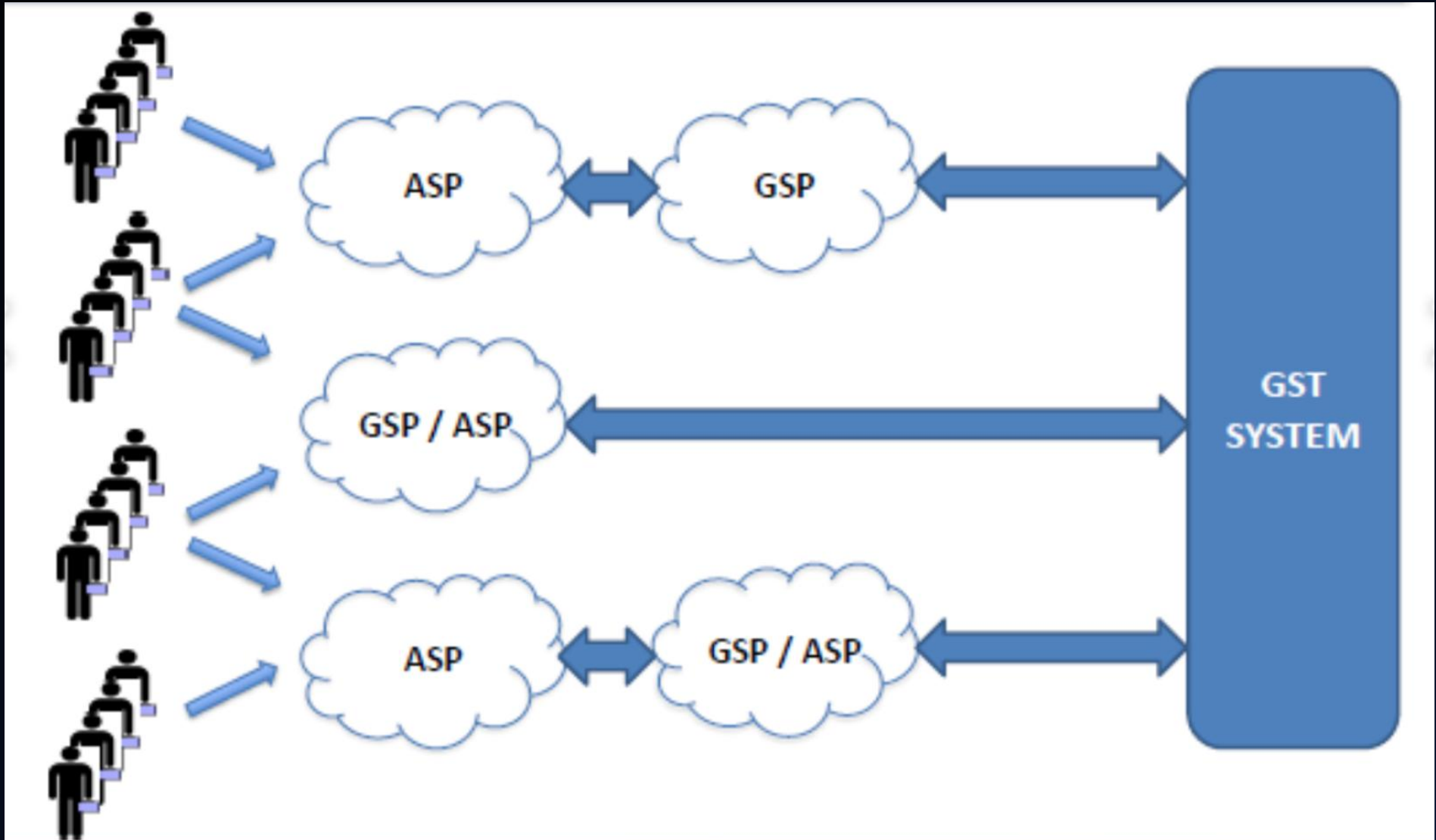
2. Accounting + Software in GST

ERP Accounting Application

1. SAP
2. Oracle
3. Microsoft
4. RAMCO

And Many other Proprietary Softwares

Some Accounting Applications used by- SME

Desktop Application	Online Platform
Tally ERP	Numberz
Profit	Quick Books
Marg	Xero
Busy	Wave
Saral	

And Many other Proprietary Softwares

GST Implementation Challenges

Is Accounting Software a Challenge ?

Or

Accounting / Data Capturing ?

What changes for SMB's day to day business?

EARLIER SYSTEM

1. Need not file all Sales Transactions online *

2. Credit is availed on basis Purchase Invoice

3. One Return a month / Period

GST REGIME

1. All your Invoices to be filed with GST Every month

2. You get credit ONLY – when Vendor pays taxes and files their Monthly Returns

3. Minimum Three (3) Returns every month

* In some states, VAT records being filed Invoice wise

What changes for SMB's day to day business?

EARLIER SYSTEM

4. Vendor follow-up mostly for 'C' Forms

5. Multiple Law Compliance

6. Error – Revised Returns

GST REGIME

4. Got to follow up with Vendor every Month.

5. Single Window Filings.

6. No Revised Return*

Master Record Changes

Master Related – Chart of Accounts

Current	GST
⑩Tax Structure • Central Excise , PLA etc. • VAT / Central Sales Tax • Service Tax • Cess • Inventory • May or may not Integrated with books	⑩Tax Structure • CGST,SGST IGST • Separate for each state • Input; Output; Payment • Inventory • Inventory needs to be integrated in the ERP system • Basis of HSN / SAC codes

Master Related - Chart of Accounts

Current	GST

⑩Vendor / Customer Masters
  ⑩Customer / Vendor Code + Name
  ⑩Address , Tax Jurisdictions
  ⑩Payment Terms etc.
 	
⑩Taxation
  ⑩Invoicing rates mostly at gross levels at end of invoice.
  ⑩Point of Incidence – Tax calculation Logic for CE/VAT/ST
	⑩Vendor / Customer Masters
	  ⑩Existing plus GSTIN
	  ⑩**Multiple GSTIN**
	
	⑩Taxation
	  ⑩Destination based Taxation (CGST+SGST / IGST)
	  ⑩Line item level Rates with HSN/SAC

Transaction Changes – Sales

New in GST Regime : Sales / Supply

- Transaction Categorization
  - Customer Based
    - Registered Dealer Sales (B2B) vs Retail Sales (B2C)
  - B2C
    - B2C large invoices(invoice value higher that 2.5 Lakhs)
    - B2C Others
  - Destination Based
    - Inter State -IGST
    - Intra State Sales – CGST + SGST
  - Medium of Sales
    - E-Commerce Platform
    - Regular

- Other Aspects
  - Sales to your own Branches outside the State / different GSTIN

  - Tagging of ADVANCE Receipt to Invoice

  - HSN & SAC Code of item sold

For B2B – SUPPLY

Capture all the following details in Invoice

❑ **Additional Info**

- GSTIN/UIN of buyer
- Place of supply (Bill to & Ship to – Different States)
- Description and HSN/SAC codes of the goods and services rendered
- Is the tax paid under reverse charge
- Is Transaction through E-Commerce portal

❑ **Regular Info**

- Invoice number, date and value of invoice and taxable value
- Tax rate and amount

B2C Invoices

B2C Invoices

Track Separately

Large Invoice

IGST > 2.5 Lacs

Others

IGST <2.5 lacs + ALL Intra State

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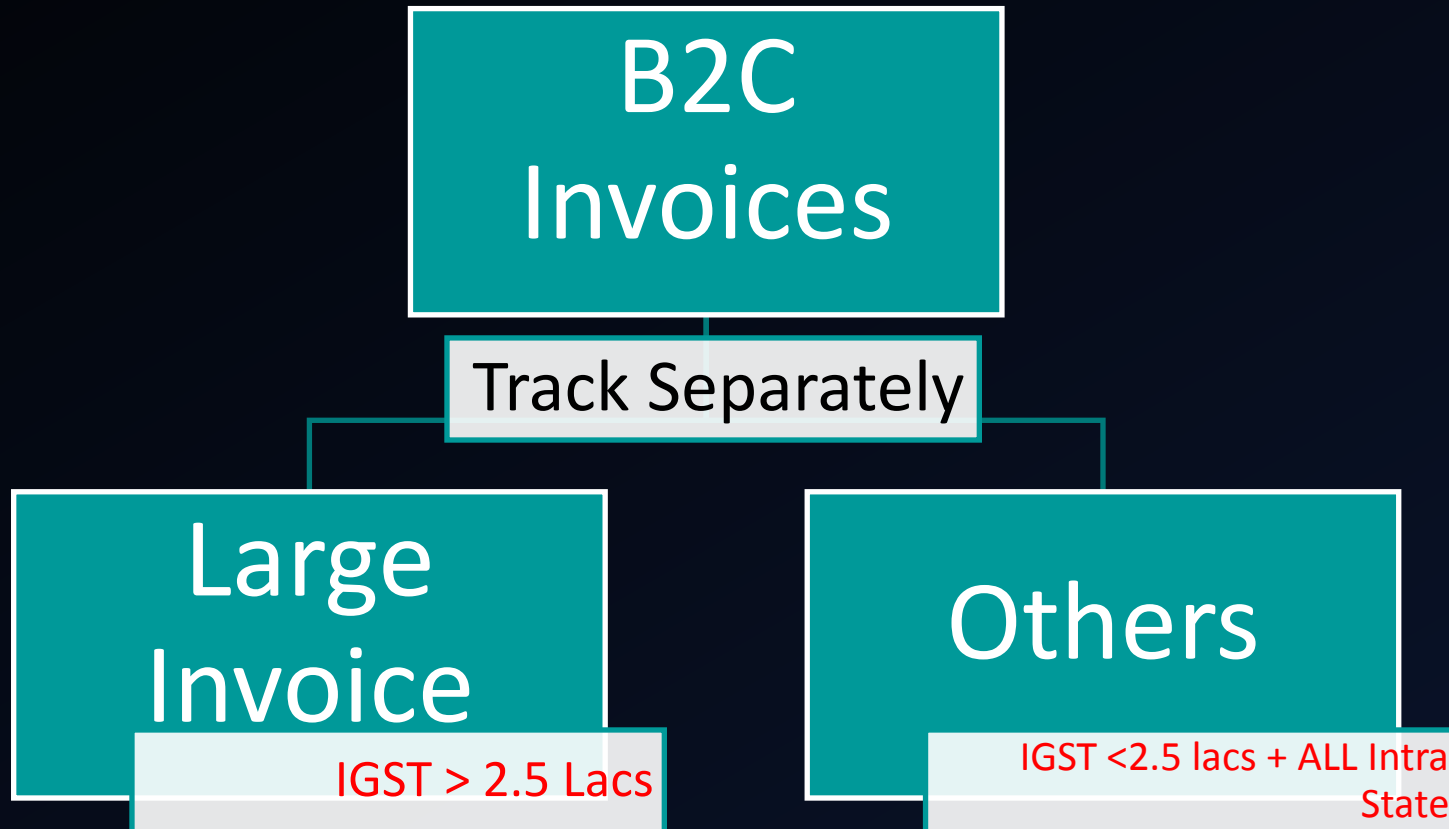
Branch Transfer

➢ Old Law :This was considered as Stock Transfer earlier and NO Taxation

In GST, Stock Transfer is treated as B2B Sales

Inter State : Transfer to its own branch/warehouse located in other state

Intra State : If the Branch has separate GSTIN with in the State

Branch Transfer - Accounting

- Record Transaction effecting
  - GST **Liability** in Supplier Branch
  - GST **Input** in Recipient Branch
  - Sales Accounting
    - If Consolidated Books – Contra Sales and Purchases
    - If Separate Set of Books – Record as Intercompany and eliminate in Consolidation

- P&L Impact on Consolidation : NIL

HSN Code

Goods HSN Code : https://www.gst.gov.in/documents/HSN.pdf

Particulars	Chapter	Heading	Sub Heading	Entry
Digits	2 Digits	+2 Digits	+2 Digits	+2 Digits
Number	99	1244	5224	~17000

Track & Report	Annual Turnover (in Cr)
Not Applicable	< 1.5
2 Digits	1.5 -5
4 Digits	> 5
8 Digits	Exports

Services : SAC codes

https://www.aces.gov.in/Documents/GAR_st_reverse_sept2010.pdf

http://www.cbec.gov.in/htdocs-servicetax/st-notifications/st-notifications-2012/st48-2012

Annual Turnover (in Cr)	Reporting
< 1.5	Optional
> 1.5	Mandatory

The SAC is now Chapter 99 HSN list, released by CBEC

ADVANCE Receipt – Invoice Mapping

- Month of Advance Receipt – Pay GST

  <Key Element : Document Number>

- Month of Invoice – Reverse Receipt Paid Taxes, by referring
  <Document Number> + <Invoice Number>

Sales through e-commerce platform

- E-Commerce operator collects
  - 1% of the sale amount as TCS

- TCS collected can be claimed against the Output Liability

- Additional Data Capture :
  A. GSTIN of e-commerce operator
  B. Merchant ID issued by e-commerce operator

Track & Report Invoice Series – Month on Month

Series of Invoices
- From Number
- To Number

Total Invoices

Cancelled Invoices

Net Invoices Issued
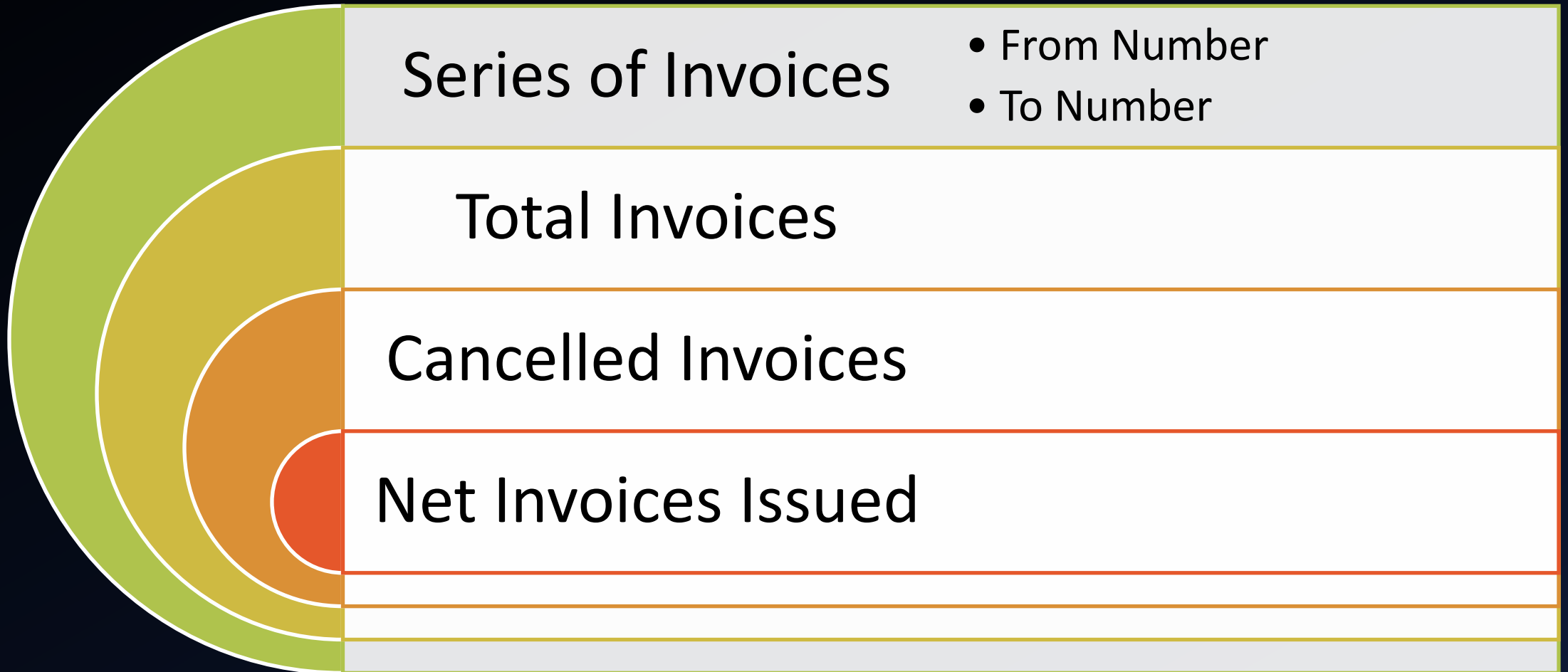
Transaction Changes – Purchases

GST Regime : Changes

- Seamless flow of credit – Reduction in cost

- Vendor Management Crucial – Credit availed on time

- ALL eligible Inputs/Capital goods credit eligible
  - previously VAT / Service Tax are not inter allowed

New in GST Regime : Purchases

ITC
- Input tax credit availed is on
- Actual basis (or)Provisional basis

Auto Credit Reversal
- Track Auto-reversal of input tax credits

Reconcile
- Carry forward & Reconcile Unmatched credits

Additional details to be captured - Purchases

GSTIN
- GSTIN's of Vendor to be captured in Tax Masters

Import of Goods
- Invoice Number, Date and value of Bill of entry, HSN/SAC

Reverse Charge
- Document Number and date

Credit
- Tax Credit segregated – (Eligible / ineligible)

Segregate
- Input Tax Credit into -
- Input Goods / Services (or) Capital goods

TDS credits

- Additional details to be captured (these will be auto populate in returns)
  - GSTIN of deductor
  - Date of payment received
  - Value on which TDS deducted

- Existing Information
  - Number, date and value of invoice
  - Taxable value
  - Tax rate and amount

Assesse can download certificate Form **GSTR 7A** from the portal.

10(1) TDS Credit received											
GSTIN of deductor	Invoice/Document			Date of Payment made to the deductee	Value on which TDS has been deducted	TDS_IGST		TDS_CGST		TDS_SGST	
	No	Date	Value			Rate	Amt	Rate	Amt	Rate	Amt

TCS credits

- Additional details to be captured (**Not auto-populated in returns**)
  - GSTIN of e-commerce operator
  - Merchant ID given by e-commerce operator
  - Gross value of supplied through portal
  - Value on which TCS collected

- Existing Information
  - Number, date and value of invoice
  - Taxable value
  - Tax rate and amount

10(2) TCS Credit received									
GSTIN of E-commerce portal	Merchant ID allocated by e-commerce portal	Gross Value of Supplies	Taxable Value on which TCS has been deducted	TCS_IGST		TCS_CGST		TCS_SGST	
				Rate	Amt	Rate	Amt	Rate	Amt

ISD : Input Service Distributor

- Credits Received in Head Office / Central Office Distributed to other GSTIN of same PAN
  - Actual Allocable (or)
  - Turnover in that period

- Accounting
  - Corporate Office : Receive (GSTR2) & Transfer Credits(GSTR7) – Current Assets
  - Branches : Receive (GSTR2) – Current Asset

Monthly Activities Summary

Normal/Regular Tax Payers – Monthly Return*

GSTR-1
- Upload details of outward supply on or before 10th of following month

GSTR-2A
- Data will be auto populated in 2A of Recipient tax payer

GSTR-2
- Actions of Accept, Reject or Modify has to be taken
- Additions can be made
- Return needs to be filed after 10th and on or before 15th of following month

GSTR-1A
- Rejections, modifications and additions in **GSTR-2** will be made available to supplier in 1A
- Supplier has to take action by 17th

GSTR-3
- Auto-populated return will be available for submission along with the payment on 20th

Errors – Technology Support

Supplier has not filed returns within due date

- No records in 2A
- Reconcile with Purchase Register
- Add Records in 2

Supplier filed returns with wrong information

- Reconcile with Purchase Records
- Modify 2A

TDS/TCS credits not showing up

- Reconcile with Purchase Records
- Modify 2A

Invoice number mis-match

- Record Number to be unique
- GSTIN + Purchase Invoice Number
- Software to Support

GST Rating

- Track erroneous Suppliers
- Track GSTR1 filing errors

Consolidated Monthly Return - GSTR-3

- Data from GSTR-1 and 2 auto-populates to GSTR-3

- Accounting software should be
  - able to fetch data from the return
  - auto reconcile with books of accounts
  - Estimate output tax Increase / Decrease considering rectification of communicated mismatches
  - Track and indicate NON RECTIFIED Mismatches

Determine Liability

- Liabilities can be
  - Return related liabilities
  - Other than return related liabilities
  - Software should be able to track liabilities accordingly

- Liability in GSTR-3 will be discharged utilising
  - ITC - Credits from Electronic Credit Ledger
  - And from Electronic Cash Ledger

Utilize ITC

- Software must be able to track and consider restrictions on utilising credits
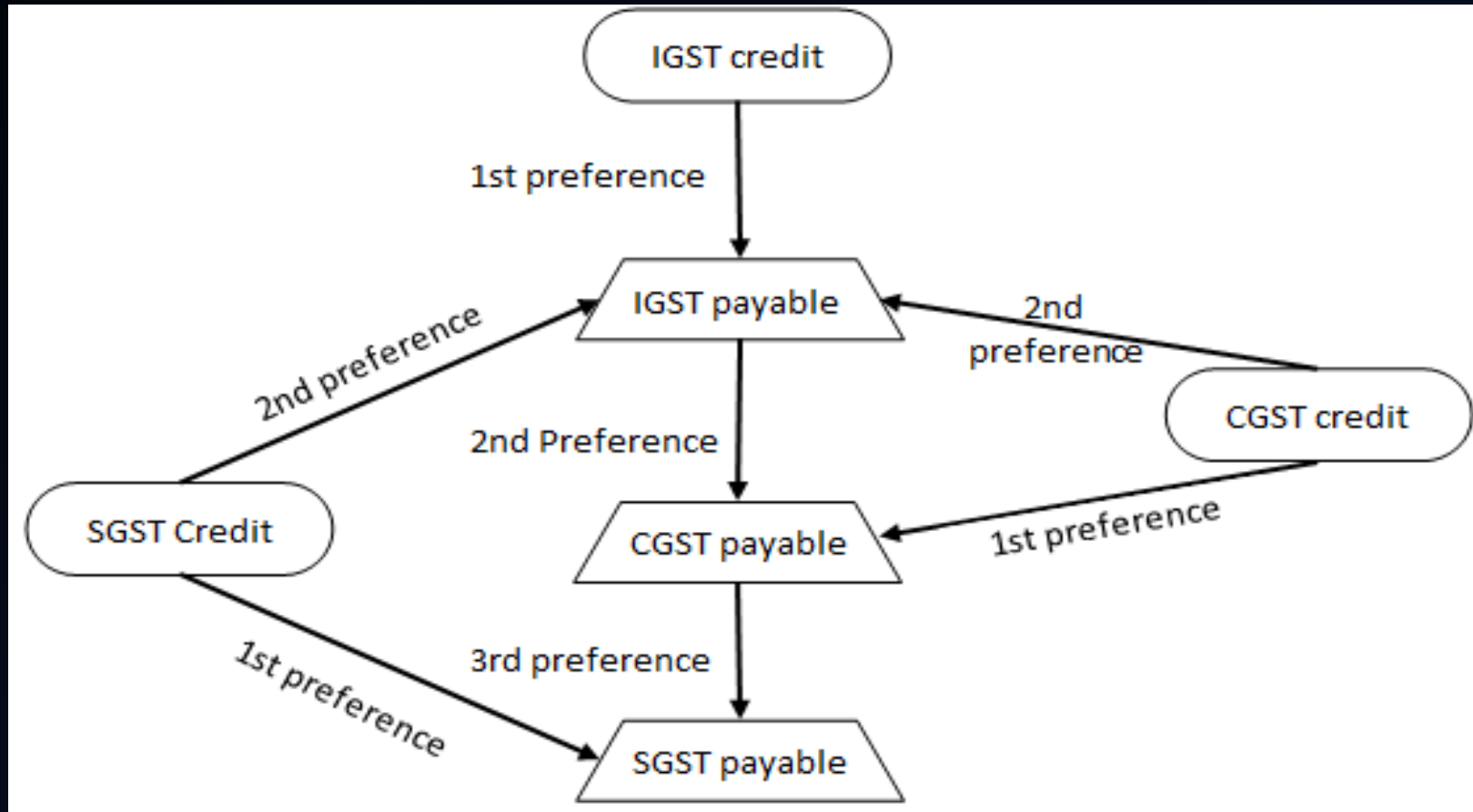
Payments in GSTR-3

- Utilising ITC, Software should be able to track and report
  - order of preference to utilise credits
  - Provisional credits, matched credits, unmatched credits and their reversal

- Utilising Cash*
  - Required amount of cash has to be deposited under CGST, SGST and IGST
  - Utilisation of the same can be made in GSTR-3

*Date of utilisation from cash ledger is the date of payment

3. RECONCILIATIONS

Reconciliation Books Vs Department

1. Registers
   1. FORM GST PMT-01 : Electronic tax Liability register
   2. FORM GST PMT-02 : Electronic Credit Liability register
   3. FORM GST PMT-05 : Electronic Cash Liability register

2. Forms
   1. FORM GST PMT-03 : Refund Rejected – Partially / Fully, communicated by proper officer
   2. FORM GST PMT-04 : Reporting any Discrepancy – Credit Ledger
   3. FORM GST PMT-06 : Payment Challan
   4. FORM GST PMT-07 : Reporting any Discrepancy – Cash Ledger

Electronic Tax Liability Register

Liability Ledger - GST PMT-01

Amount to be debited in ELR

1. **Return Related**

   1. GSTR 1 : Tax, Interest, Late fee , or any other amt payable as per return filed – Sec 37
   2. GSTR 2 : Mismatch : Tax & interest payable as a result of mismatch of input tax credit as per 38, or 42, or 50

2. **Other Than Return Related**

   1. Assessment : Tax, Interest, Penalty or any other amt payable as determined by a proper officer against any proceeding
   2. Any amt of interest that may accrue from time to time

Part 1 : Return Related Liability

Form GST PMT –1

(See Rule ----)

Electronic Tax Liability Register of Taxpayer
(Part–I: Return related liabilities)
(To be maintained at the Common Portal)

GSTIN –
Name –
Tax Period –
Act - /All

Sr No.	Date (dd/mm/yyyy)	Reference No.	Description	Type of Transaction [Debit (DR) (Payable) / Credit (CR) (Paid)/	SGST/CGST/IGST						Balance (Payable)					
					Tax	Interest	Penalty	Fee	Others	Total	Tax	Interest	Penalty	Fee	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Part 2 : Other than Return Related Liability

Form GST PMT –1

(See Rule ----)

Electronic Tax Liability Register of Taxpayer

(Part–II: Other than return related liabilities)

(To be maintained at the Common Portal)

GSTIN –

Name –

Period - From ------- To -------- (dd/mm/yyyy)

Act - /All

Sr No.	Date (dd/mm/ yyyy)	Reference No.	Tax Period, if applicable	Description	Type of Transaction [Debit (DR) (Payable) / Credit (CR) (Paid)/ Reduction (RD)/ Refund claimed (RF)]	SGST/CGST/IGST						Balance (Payable)						Status (Stayed /Un-stayed)
						Tax	Interest	Penalty	Fee	Others	Total	Tax	Interest	Penalty	Fee	Others	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19

Electronic Credit Ledger

GST PMT-02 : Electronic Credit Ledger

- Section 2(46) Electronic credit ledger means the electronic credit ledger referred to in section 49(2).

- Provisional Credit up on filing of GSTR 2 Sec 41(1)

- The following will recorder separately in the ledger,
  - Credit of inputs, capital goods, reverse charge claimed in return
  - Credit received through ISD
  - Credit on account of merger, pre-registration etc.

- Utilisation of credit from the same major head or from other major head (cross utilization) will be recorded accordingly.

- Utilisation of credit for return and other than return related liabilities will be recorded separately.

Electronic Credit Ledger

Form GST PMT –2

(See Rule ----)

Electronic Credit Ledger of Taxpayer
(To be maintained at the Common Portal)

GSTIN –
Name –
Period - From ------- To -------- (dd/mm/yyyy)
Act - /All

Sr No.	Date (dd/mm / yyyy)	Reference No.	Tax Period, if applicable	Description	Type of Transaction [Debit (DR) / Credit (CR)]	SGST/CGST/IGST				Balance			
						Matched	Mis-matched	Provisional	Total	Matched	Mis-matched	Provisional	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14

Credits - Technology Support

- Software must track the credits appropriately. Credits can be
  - Provisional credits
  - Matched credits and
  - Unmatched credits

- Software must track for
  - reversals of credits with appropriate reasons

Electronic Cash Ledger

Cash ledger

- Cash has to be deposited under respective heads

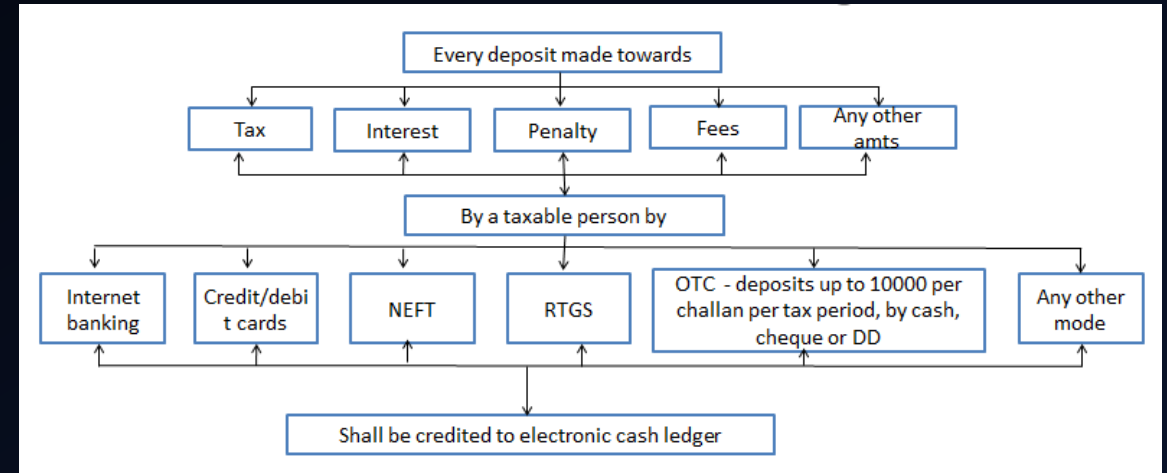| Major Heads	Minor Heads
CGST	Interest
SGST	Penalty
IGST	Fee
Cess	Others

- Cross utilisation between the ledgers with respect to Taxes, Interest, Fee, Penalty is not allowed

Payments – Technology Support

- Electronic Cash Ledger
  - is like a e-wallet
  - Cash has to be deposited under relevant heads ONLY
  - And it shall be utilised accordingly for discharging liability

- Date of deposit is not the date of payment

- Date of utilisation from cash ledger is the date of the payment

GST PMT-05 : Electronic Cash Ledger

- Section 2(43) Electronic cash ledger means the electronic cash ledger referred to in section 49(1)

- Date of deposit = Date of credit to the account of the appropriate Govt. in the authorised bank

- Also Includes Sec 51 TDS & sec 52 TCS

Electronic Cash Ledger

Electronic Cash Ledger of Taxpayer

(To be maintained at the Common Portal)

GSTIN –
Name –
Period - From ------- To -------- (dd/mm/yyyy)
Act - /All

Sr. No.	Date (dd/mm / yyyy)	Reference No.	Tax Period, if applicable	Description	Type of Transaction [Debit (DR) / Credit (CR)]	CGST/IGST/SGST						Balance					
						Tax	Interest	Penalty	Fee	Others	Total	Tax	Interest	Penalty	Fee	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

Mis match Reports

Mismatch Report – GSTN Portal

- Captures mismatch reported by the Supplier Taxpayer & Receiver Taxpayer

- Generated for every tax period
  - on filing of valid GSTR 3 by the Taxpayer (or)
  - 21st day of (M+1) whichever is **later**

- Both supplier and receiver will be communicated on generation of mismatch report

Mismatch Report - Technology Support

- Mismatch report with respect to taxable supplies will be
  - Supplier mismatch
  - Receiver mismatch
  - E-Commerce mismatch

- Accounting software to Reconcile with the GSTN issued mismatch Report - (Section A / B / C)

Understanding - Mismatch Report

- ## Section A
  - Elements in the transaction reported by receiver does not match with supplier
  - Addition/ modification of line items of invoices /debit notes issued by supplier, added by the receiver Taxpayer but not accepted by Supplier
  - ITC claimed in excess than reported by supplier

- ## Section B
  - Supplier has not filed return but receiver is claiming credit
  - It is a mismatch resulting in creation of output liability of receiver taxpayer due to reversal of ITC claimed by the receiver
  - For which the supplier has not paid tax by not filing valid GSTR 3

Understanding - Mismatch Report

- Section C

  - Mismatch in cases where elements reported by supplier in respect of line items of an invoice/credit note

  - Which results on downward modification of tax does not match with the elements reported by the receiver in GSTR 2/ISD in GSTR 6

4. Transitional Related Challenges

Tax credit – C/F : - Technology Support

- Unutilized credit under current regime (ST-3, VAT 100) - Carried forward as opening balance under GST

- Assessee availing exemptions like SSI, SSP and composition dealers, can take credit of those
  - *Lying* in the stock of registered person
  - Purchases made within *one year* of the enforcement date
  - And must be in possession of the invoice copy
  - Must be eligible for claiming credit under *both* old law and new law

Calculation of the credit(stock statement) should be attested by a practicing CA or CMA

5. Other areas

Supply - Technology Support

- Supply can also be characterized into
  - Mixed supply &
  - Composite supply

- Software must be configured
  - To determine the supply as mixed or composite
  - To provide for tax rates to be applied accordingly for such supplies
  - To adjust the stock quantity in the books accordingly (for mixed supply)

Job work - Technology Support

When goods/capital goods sent on Job work, control process to be:

- Have a unique reference number(URN) with the due date to return back

- Review & Report aging generated based on URNs

- Squaring up the URNs once the consignment returned to factory

Business related issues – Pricing

- Earlier there were multiple taxes levied and most of them were cost

- GST is being rolled out with the concept of seamless credit

- Prices has to be reviewed to check the impact of the above

- Any impact on margin must be actually passed on to the customers and the same is regulated by law

- Re-engineering of pricing of product to be part of transition

Business related issues – Validating creditors

- Vendor selection plays crucial role, Since Utilising credits are dependant on his compliances

- Non Compliance by Vendor increases
    - Working capital
    - Product Cost
    - Reconciliation & Manual efforts on Follow-up
    - Reduction in GST Ratings

- Rating for every supplier are based on timely compliances & mismatches

Information Security

- All data of business will be online, it is necessary to ensure software and system has adequate security

- Ensure all terms and conditions are read while entering into a contract with GSPs/ASPs/GSTP

- Ensure appropriate anti-malware's and antivirus software's are installed

- Be aware of social engineering attempts

- Ensure key information like user IDs and passwords are adequately secured

- If any unauthorised account activity are suspected, appropriate security measures to be initiated

GST READINESS CHECK

Technology related GST Readiness

- Has applicable Provisions of the law configured in Software

- Is the team trained and aware of the Act & Use of Software

- Your Vendors are Educated and Tax compliant

- Do you have Customers GSTIN for B2B Supplies

- Do you have Vendors GSTIN for B2B Supplies

- Is the Rate mapping, Product Mapping HSN code complete

- Auto accounting of Stock movements & Credits for the Branch Transfer considered

GST Readiness Contd…..

- Your Chart of Accounts/Accounting Entries / Notes updated

- Sufficient staff + Software Reports to reconcile and communicate with Vendor/Customer on Mis-match Reports

- Software to generate State wise GSTR returns

- ISD – Accounting & Auto Distribution of Credits

- Ability to assess revises Sale Price of your Goods

- Reconcile & Report Correctness of Returns filed.

Thank You

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