Implementation of GST

Course on GST

September 30, 2016

WIRC – ICAI, IDTC – ICAI

CA Alok Jajodia

- GSTN
- GST – Implementation Enablers

GOODS AND SERVICES TAX NETWORK

Common platform for all

Virtually all activities

**Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani*

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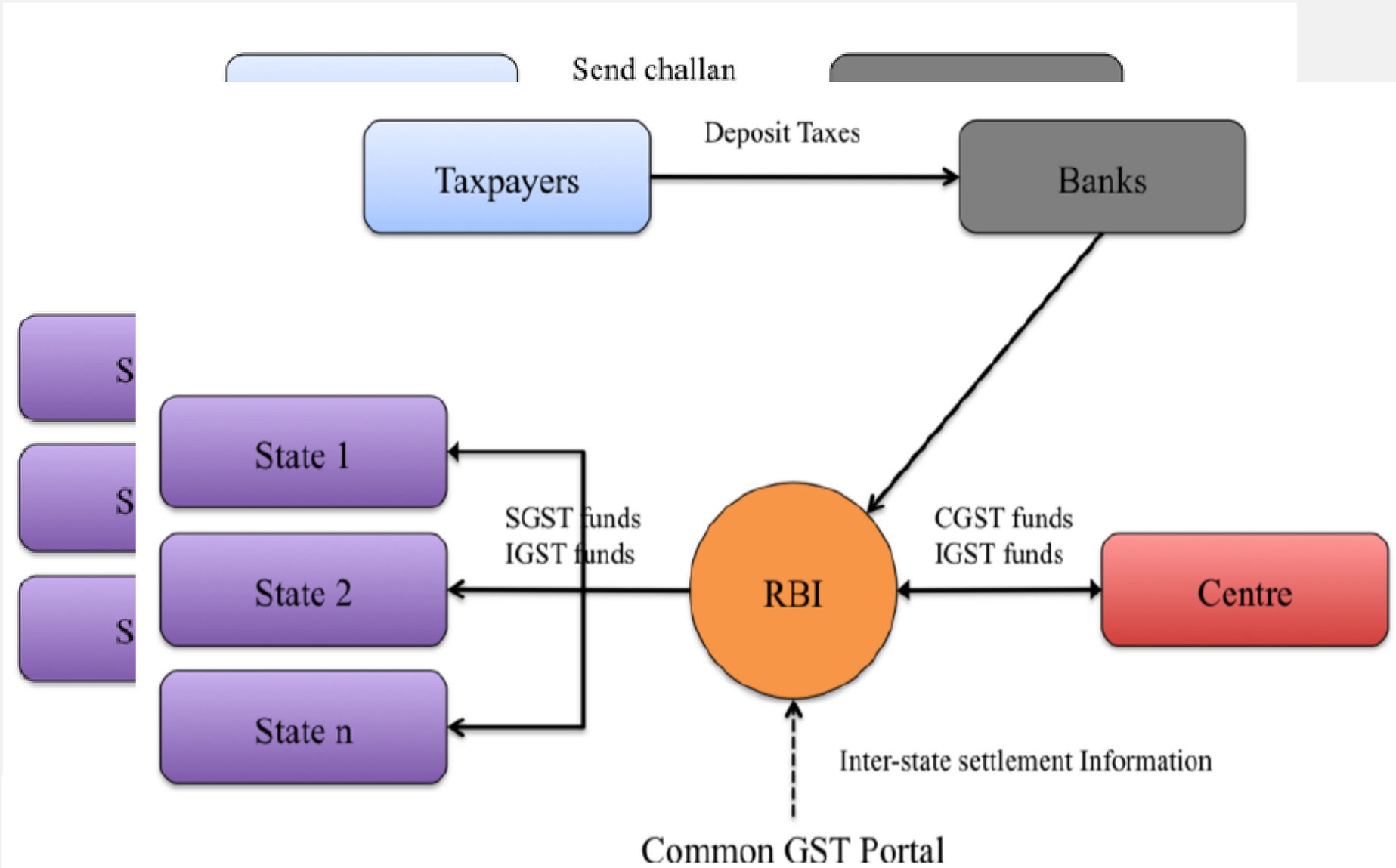

Flow of Funds

**Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani*

GOODS AND SERVICES TAX NETWORK

Level of granularity of data for returns

**Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani*

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Owner	Component
Taxpayer	User Registration File Returns Tax Payment details
GSTN	User Registration Acceptance and Consolidation of returns Challan Reconciliation Matching of Input Tax Credit Dashboard and MIS Helpdesk and facilitation centers
Tax Authorities	Assessment, audits and enforcement Refunds Dispute resolution Helpdesk and facilitation centers
Bank and RBI	Tax payments and reconciliation
Accounting Authorities	Reconciliation

GOODS AND SERVICES TAX NETWORK

Who does what?

**Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani*

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Type of Fraud	GSTN Portal: Intelligence based deterrence
Fraudulent bills	Matching
Improper Input Tax Credit	Matching
Fraudulent use of 'exempt' rules	Electronic Returns
False Payment Proofs	Electronic Challans
Unrecorded Sales	Data Mining
Wrongful application of lower tax	Data Mining
Under-invoicing	Data Mining
Non-existent dealers	Data Mining

GOODS AND SERVICES TAX NETWORK

Tax Booster

*Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

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GST – Impacts

Pricing

Cash Flow

Turnover & Profit

Supply chain

IT Systems

Business Processes

Vendor / Customer contracts

Change Management

Business Functions & Compliances – Key GST Aspects…

On what you pay GST	On what you get input tax credit	Classification of goods / services	Number of registrations
Where you pay GST	On how much value you pay GST	Transition provisions	How tax is to be computed
When you pay GST	Treatment of outsourcing	Changes in record keeping	Filing of returns
Treatment of credit notes	What are exempted	Documentation requirements	Audit requirements

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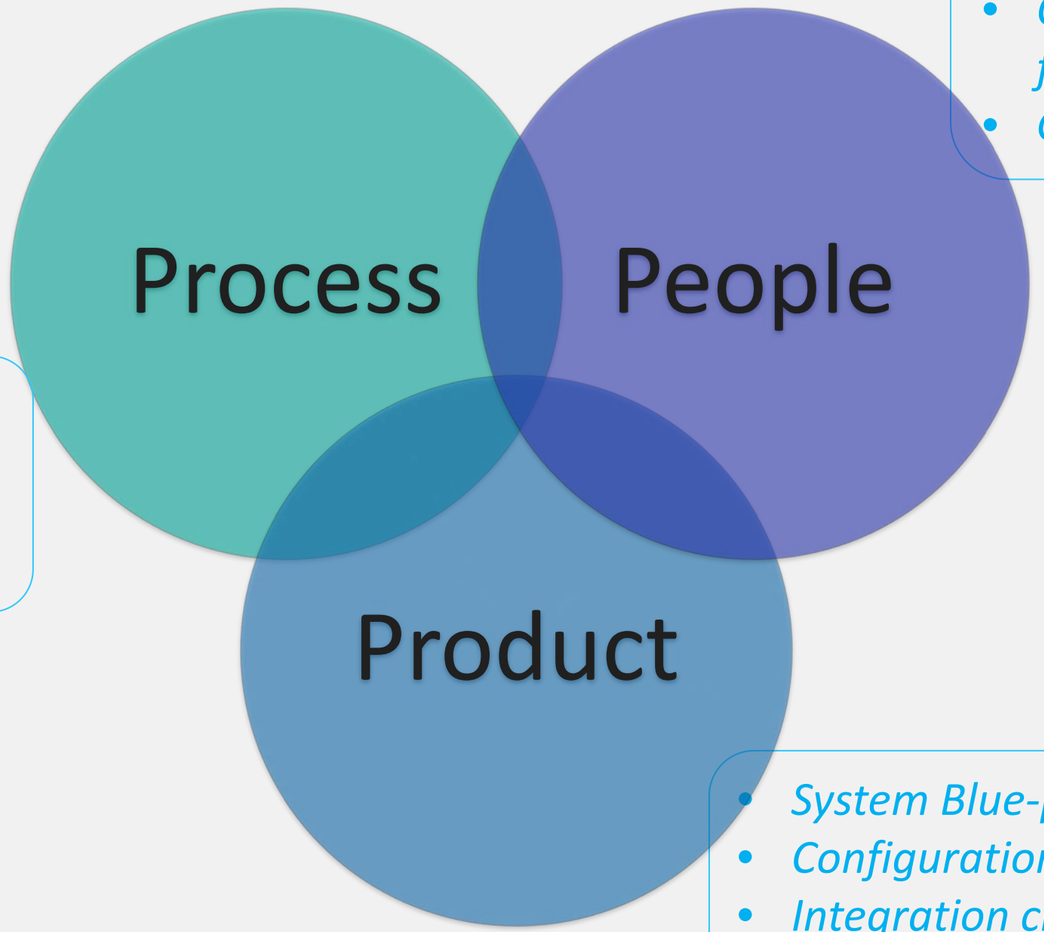
GST – Enablers

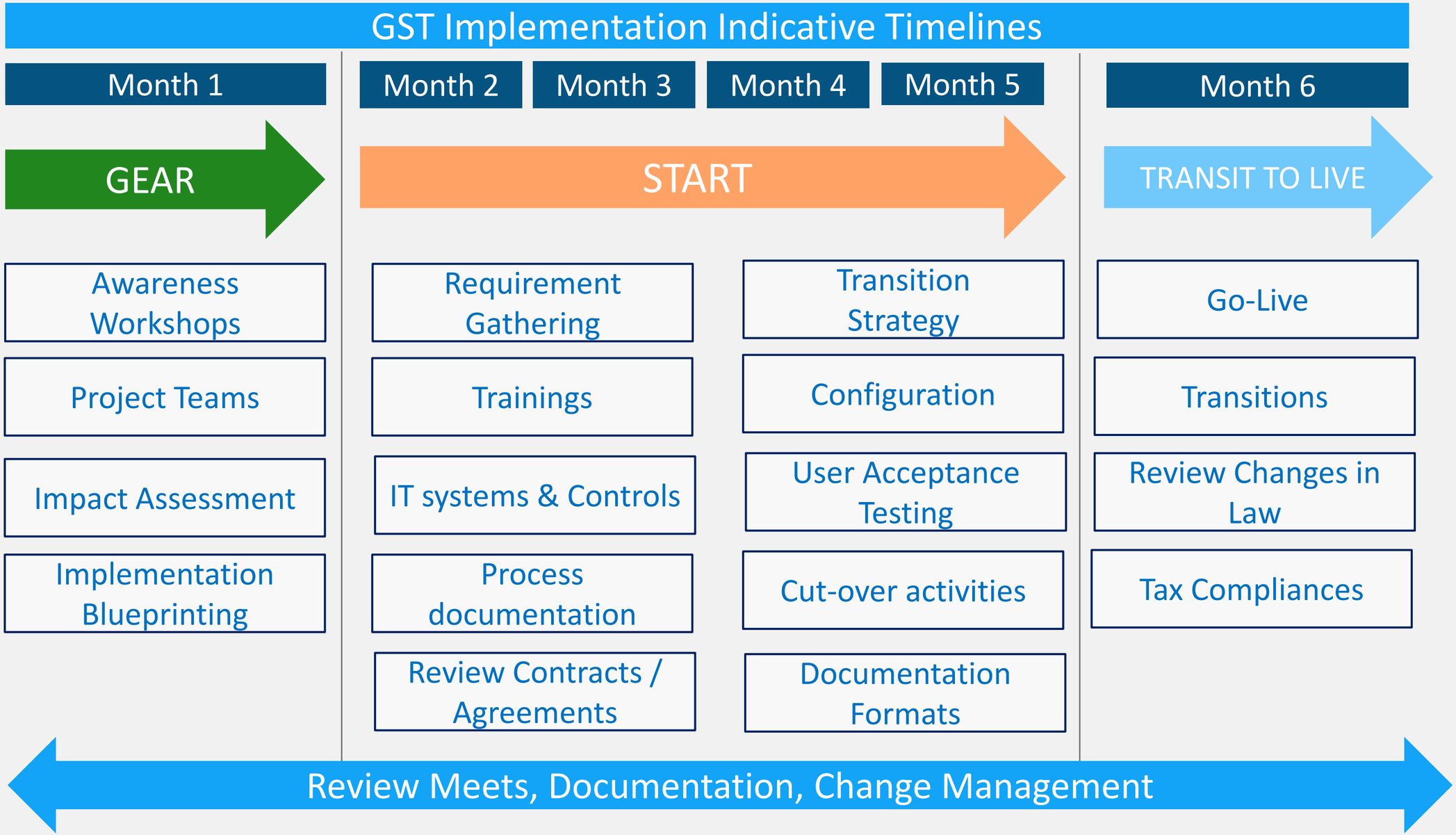
- *GST Project team (both Internal & External)*
- *Change Management work-shops for transition*
- *GST skill set enhancement*



All relevant process and policies will have to be re-designed to accommodate the GST Compliance

- *System Blue-printing & documenting the change*
- *Configuration changes*
- *Integration changes*
- *Reporting Changes*

Typical GST Project – Indicative timeliness



IT Systems – key GST aspects

Registration Configurations	Master Changes	Changes in Interfaces	Business Rule Changes
Tax Computation	Input Tax Credit configuration	Transition Reports	Compliance Reports
Configuration changes	Transactional configuration	Reconciliation Reports	Filing of returns
Accounting related changes	MIS reports	Document Formats	Audit requirements

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Module Level Changes due to GST

Finance

- General Ledgers
- A/c. Receivables
- A/c. Payables
- Invoicing / Billing
- Voucher

Procurement

- Purchase Orders
- Invoicing
- Debit/Credit notes
- Pricing Conditions
- Info Records

Sales & Distribution

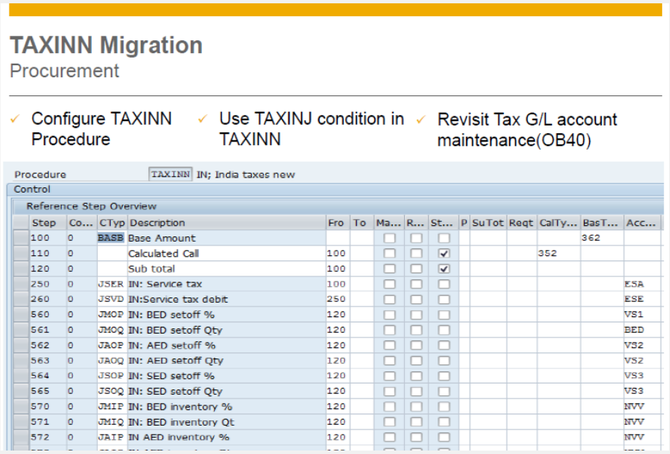
- Sales Order
- Invoicing
- Pricing conditions
- Info records
- Debit/Credit notes
- Sales Area

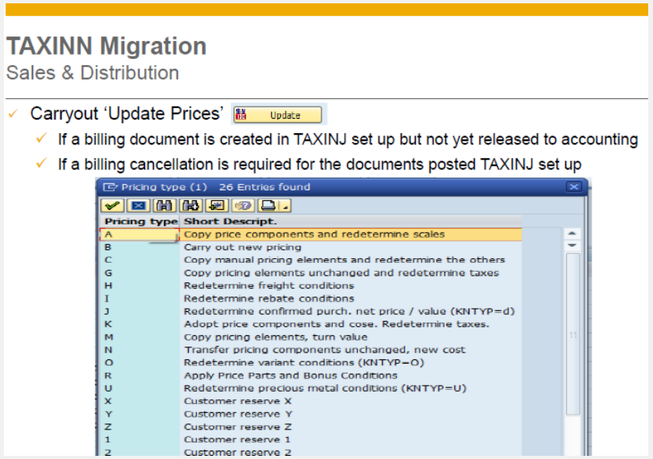
Masters

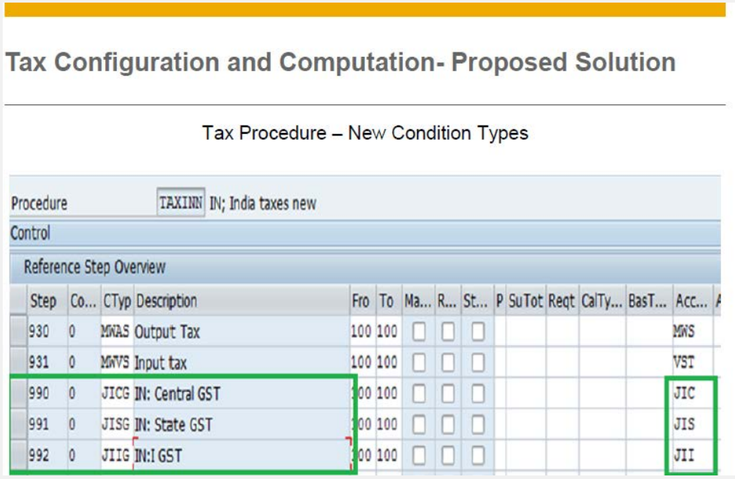
- Material
- Services
- Customers
- Vendors
- Chart of a/c.
- GL's

Reporting

- Tax Registers
- MIS Reports
- Compliance reports
- Stat Reports
- Interfaces







Broad level changes in Process and Product

New Fields	New Disclosures and presentation information would need the data fields for capturing the information. For e.g. HSN Codes, Place of Supply
Changes to the COA	Changes to chart of Accounts will be eminent
Configuration changes	There will be changes in business rules and general configuration in the system. E.g. Tax Masters to be used instead of Tax Codes in SAP (TAXINN)
Interface changes	Data coming from other systems will undergo a change
Reporting changes	Reporting will change a lot to generate new reports related to GST and Reconciliations
Process Redesign	Process would need to be re-designed For e.g state-wise registration (service companies), change in Supply-chain
System Scalability & Architecture	While the new design is being accepted, the long-term vision and the dynamically changing requirements needs to be considered
Risk Management and Governance	It is necessary to also check the current Enterprise Risk Management Matrix and make required changes, due to process re-designing
Change of Software?	If the existing system is inadequate for GST reporting and accounting, it may be necessary to implement a new solution

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Credit Input Reconciliations

Suppliers to upload their Sales data (GSTR 1)

- Invoice No
- Invoice Date
- Bill To
- Ship To
- **Place of Supply**
- **HSN / SAC code**
- Gross Value
- GST Value

- **Tax Invoice**
- **Bill of Supply**
- **Supplementary Invoice / CN/DN**
- **Tax Invoice – special cases (ISD)**

GSTN Portal

Customers to download Sales data (GSTR 2A)

Match the receipts in systems

- Identify exceptions – Invoice uploaded by supplier, but not found in our records due to:
  - Goods in Transit
  - Value Mismatch
  - Material not Received
  - Not accounted at our end
- Invoice received, but, not uploaded by supplier
- Purchases from unregistered vendors

GSTR2

GSTN Portal

Reconciliation Statement (ITC)
ITC Claimed in current tax period
Matched ITC claim for current tax period
Mismatched ITC of earlier tax period matched in current tax period
ITC Mismatched - Current Period
Mismatched ITC of earlier tax period - Added as Output tax liability
Output Tax added due to Duplicate ITC Claim

- ✓ System should help to reconcile and do Reco
- ✓ System should be able to trigger emails to supplier for mismatch to get the same corrected

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Returns… some of them

Return Form No	Description
Form GSTR-1	Details of outward supplies of taxable goods and/or services effected
Form GSTR-1A	Details of outward supplies as added, corrected or deleted by the recipient
Form GSTR-2	Details of inward supplies of taxable goods and/or services claiming input tax credit
Form GSTR-2A	Details of inward supplies made available to the recipient on the basis of FORM GSTR-1 furnished by the supplier
Form GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax
Form GSTR-3A	Notice to a registered taxable person who fails to furnish return under section 27 and section 31
Form GSTR-6	ISD return
Form GSTR-6A	Details of inward supplies made available to the ISD recipient on the basis of FORM GSTR-1 furnished by the supplier
Form GSTR-9	Annual return
Form GSTR-9B	Reconciliation Statement
Form GSTR-10	Final return
Form GST-ITC-1	Communication of acceptance, discrepancy or duplication of input tax credit claim

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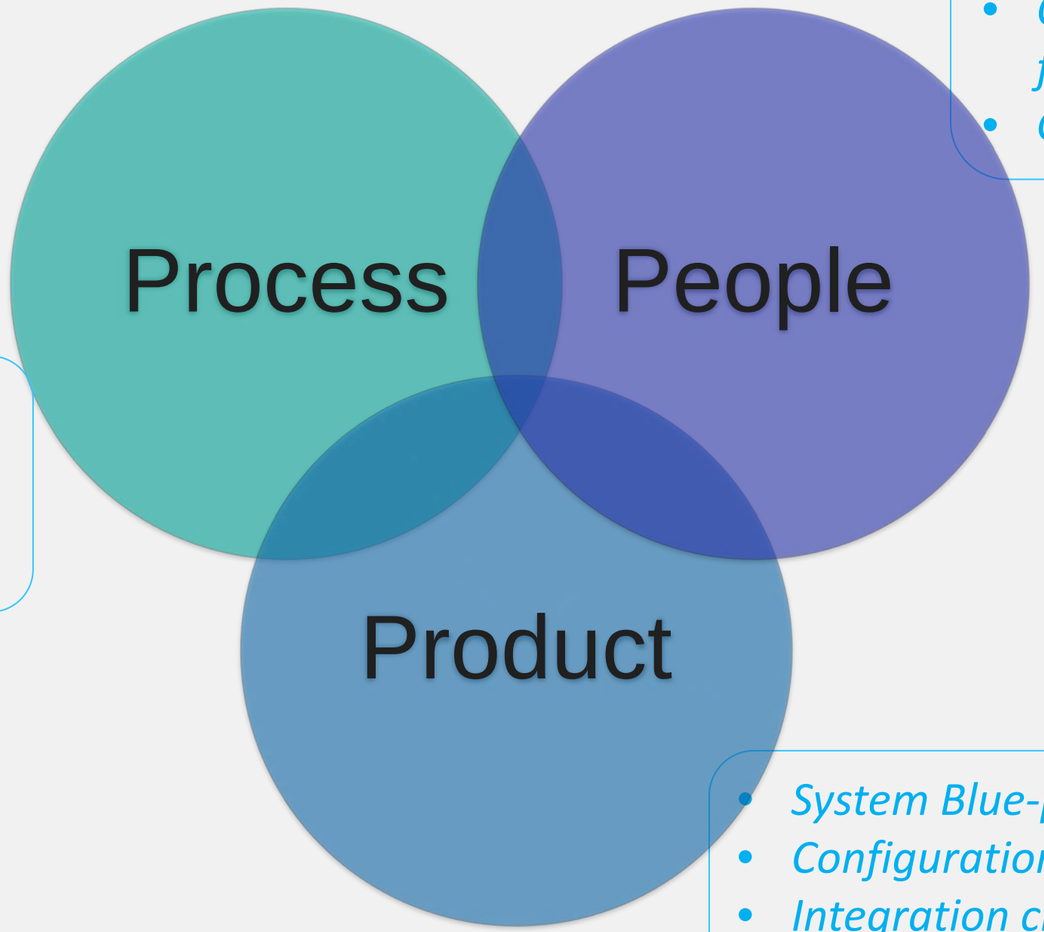

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GST – Some food for thought

- Back dated entries control vis a vis return filing date

  (No revised return allowed)
- Contractual vs Fair Value (IND-AS)
- Home-grown applications
- ITC / Tax / Cash Ledgers periodic reco

Thank you

CA Alok Jajodia

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