

Tax Technology

Leading the way into the
new machine age of tax

February 2022



The new machine age of tax

One machine can do the work of 50 people; no machine can do the work of extraordinary men!

Elbert Hubbard



Let's go invent tomorrow instead of worrying about what happened yesterday!

Steve Jobs



“

Instead of racing against the machine, we need to learn to race with the machine. That is our grand challenge.

Erik Brynjolfsson

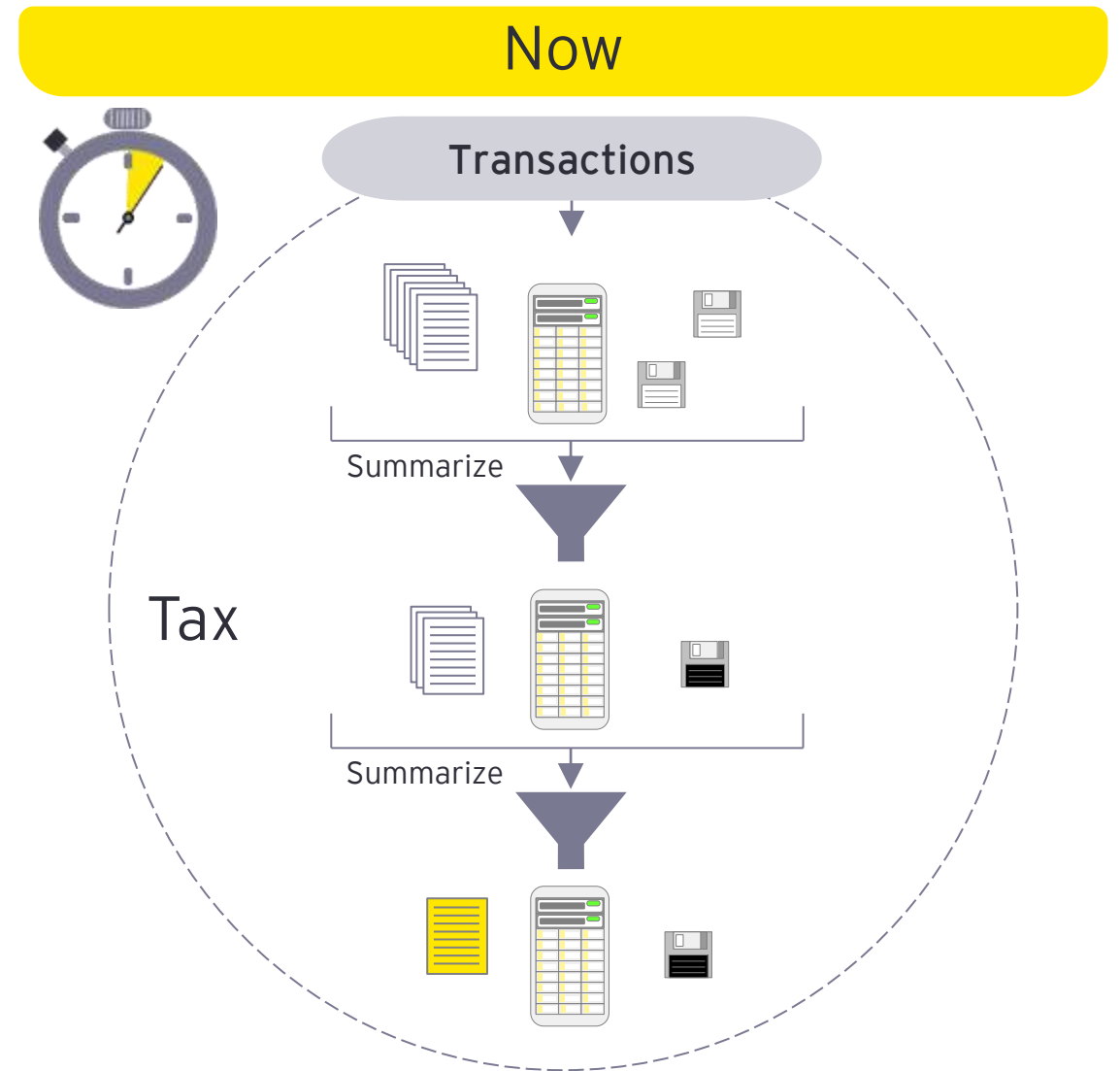
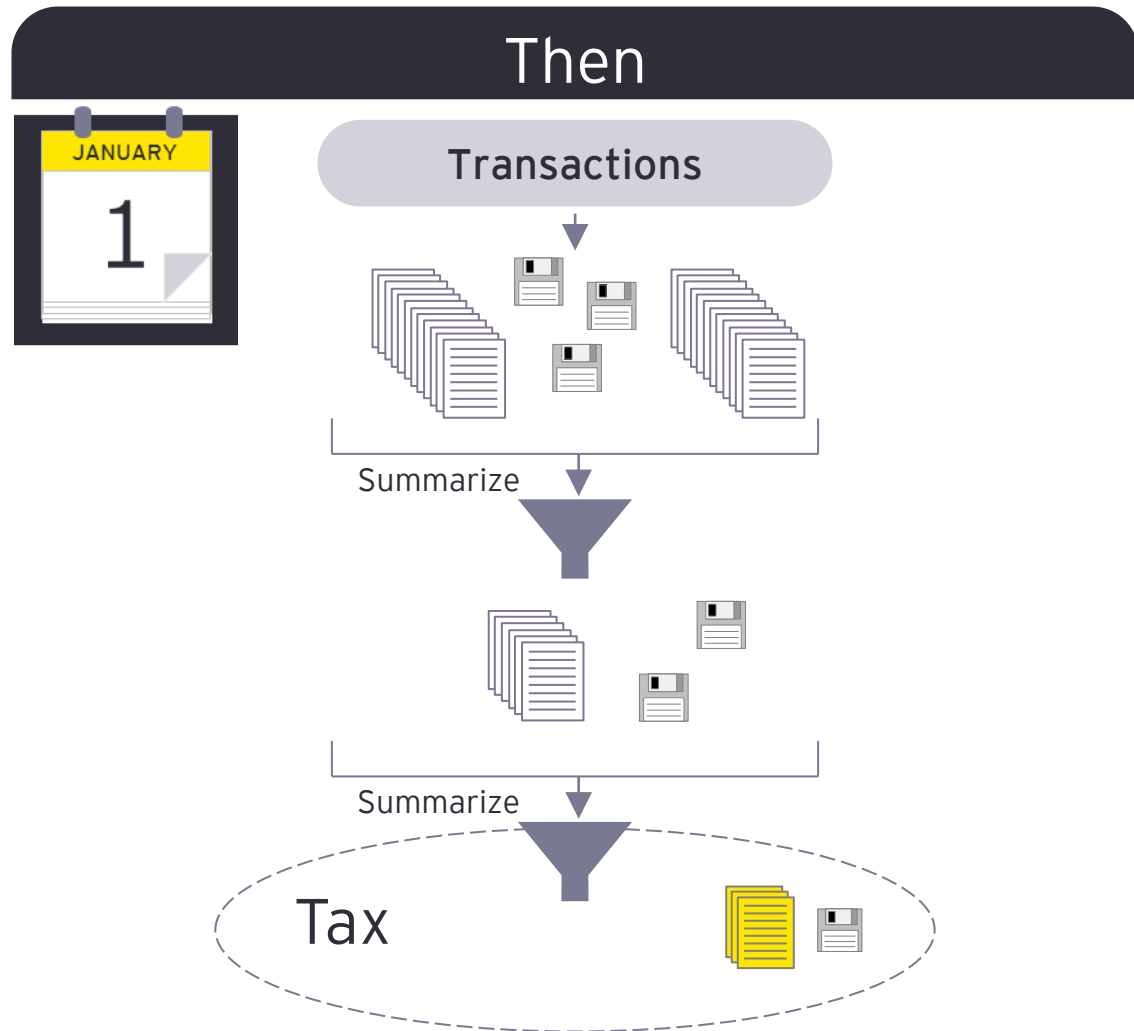
Professor MIT Sloan School of Management



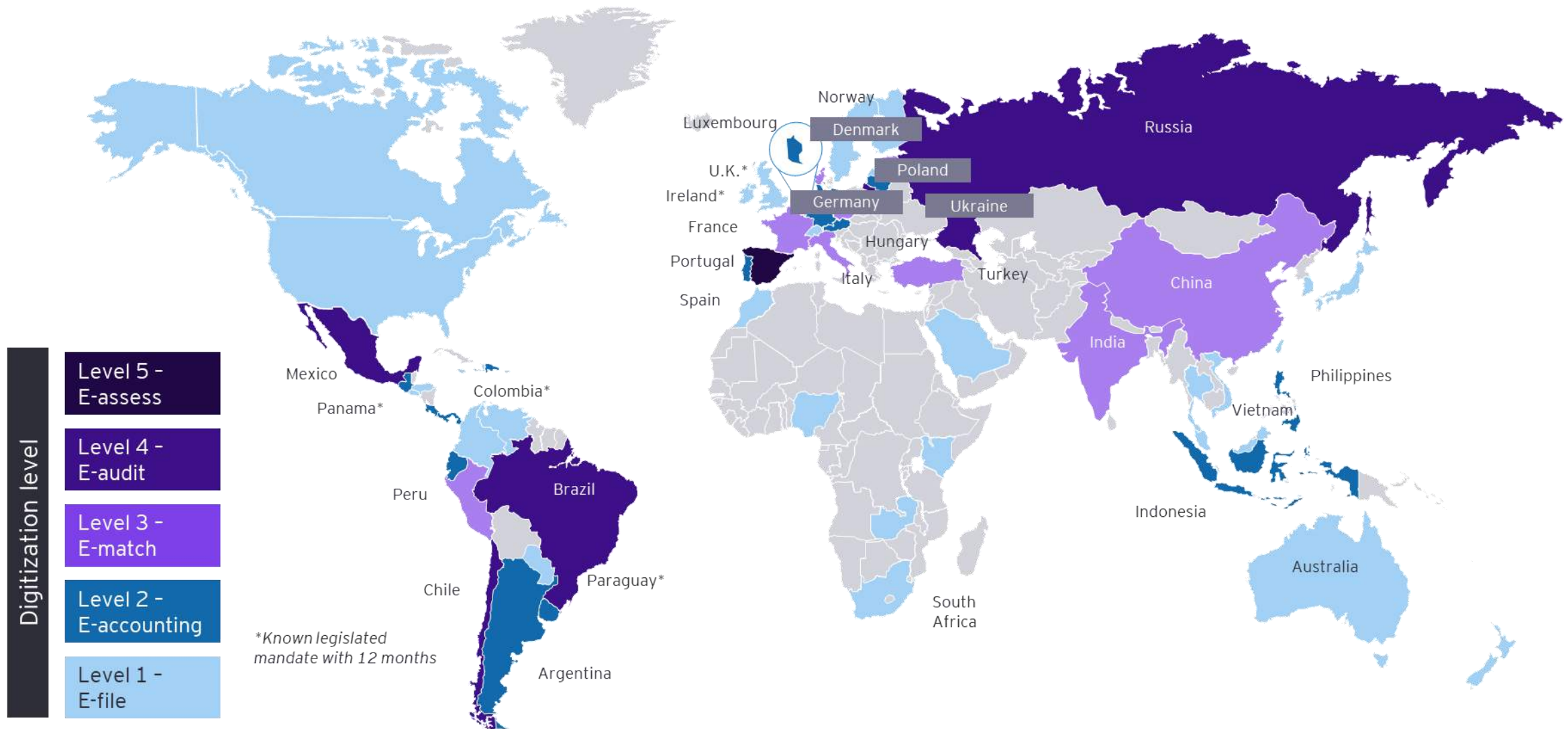
Changing Global Landscape



Confluence of electronic data, processing power and software



Adoption of transaction level approach



Indian tax authority perspective

Beginning of the India journey

Objectives



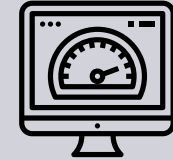
Digitization of
tax Compliance



Tracking the
value chain



Simplification



Tax booster
through analytics

Special purpose
Vehicle with high
degree of flexibility
in decision making

Private sector to
execute the project
on a BOT basis

GSP ecosystem
created to support

Framework adopted

GSTN data: types of taxpayers

- ▶ 80.2% tax payers are proprietary concerns paying 13.3% of GST
- ▶ 10.6% of taxpayers are partnership firms paying 7.3% of tax
- ▶ Another 6% are Private Limited cos paying 27.8% of tax
- ▶ These three categories alone add up to 97% of taxpayers or 1.26 cr; paying 48-49% of the tax

Source: <https://www.gstn.org.in/gst>



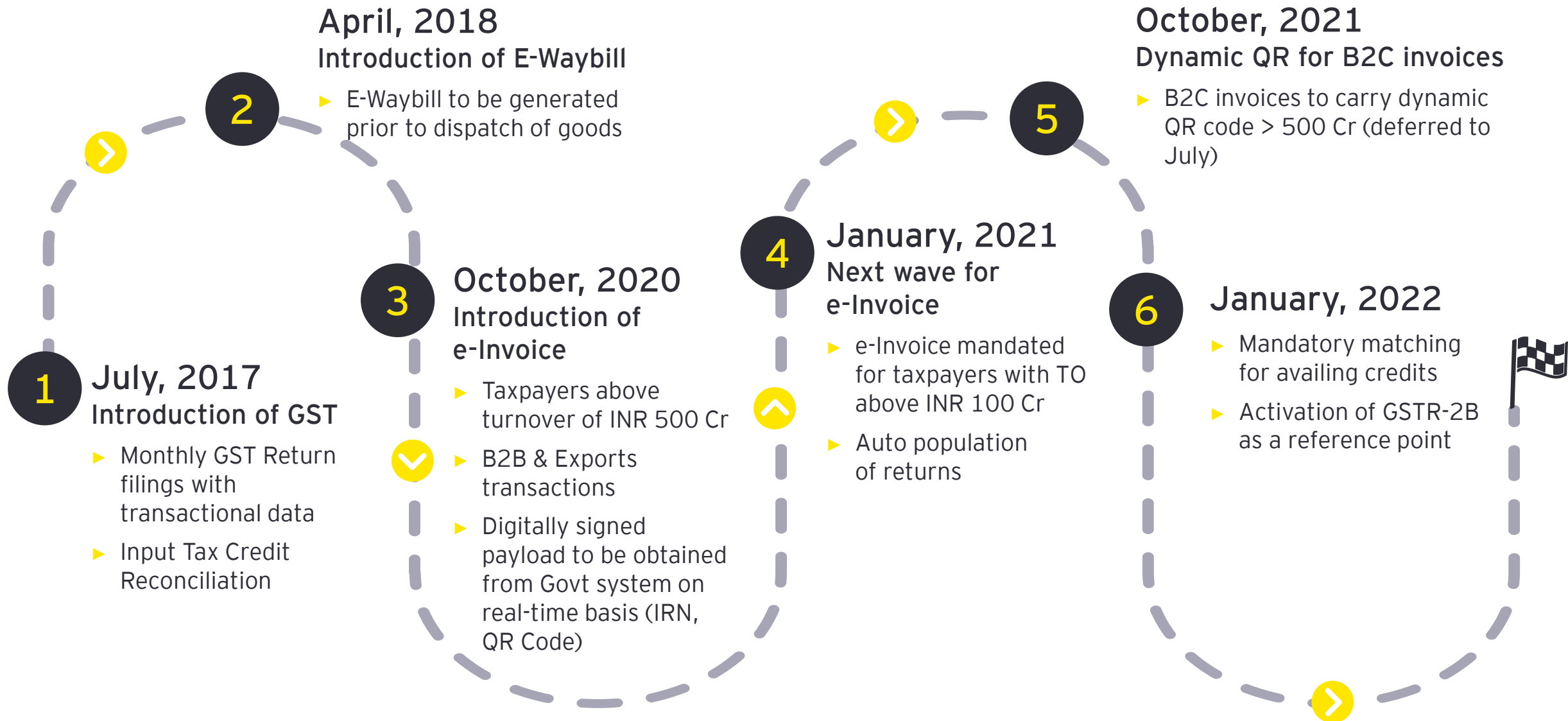
Contribution to GST Revenue* from Different Constitutions of Business

CONSTITUTION OF BUSINESS (CoB)	No. of Tax Payers who has made entry in cash ledger against GSTR-3B/ GSTR-R4	% of Total Tax Payers	COLLECTION (In Rs.Crores)	% OF Total Collection
Public Limited Company	75,295	0.58	11,42,985	35.23
Private Limited Company	7,79,219	6.01	9,00,989	27.77
Proprietorship	1,03,98,893	80.17	4,33,255	13.35
Public Sector Undertaking	2,795	0.02	2,87,004	8.85
Partnership	13,80,441	10.64	2,38,446	7.35
Others	29,573	0.23	83,638	2.58
Society/ Club/ Trust/ AOP	1,19,941	0.92	44,683	1.38
Limited Liability Partnership	85,081	0.66	34,991	1.08
Government Department	7,382	0.06	33,573	1.03
Statutory Body	1,036	0.01	17,183	0.53
Foreign Company	1,784	0.01	12,858	0.40
Hindu Undivided Family	82,763	0.64	8,385	0.26
Local Authority	6,338	0.05	6,457	0.20
Unlimited Company	95	0.00	342	0.01
Foreign Limited Liability Partnership	110	0.00	41	0.00
Any other body notified by committee	88	0.00	11	0.00
Grand Total	1,29,70,834	100	32,44,811	100

****Note**

- Status as on 1st July 2021; Return period accounted up to March 2021
- Figures doesn't include IGST on imports

India Story so far - transition from post clearance to pre clearance



E-invoicing

Drivers for implementation



Check menace
of Fake Invoices



Authenticated
Transactions
(through validations)



Compliance
at source
(Auto populated returns)



Seamless
Communication
of Documents



Eco-System
development

Strategy adopted



Decentralized
reporting



Higher turnover
threshold &
gradual
reduction



Connection with
E-Way Bill



Central Dedup
platform to
ensure no
duplicate IRN
generated



Signed QR Code
generation for
authentication
with limited
fields

Explosion of e-invoice applicability

- ▶ Currently about 75,000 taxpayers required to generate e invoices
- ▶ Once limit falls to 5 cr, compliance obligation triggers for 6,00,000 plus taxpayers
- ▶ Optional e-invoicing and MBMA to expand this list even further

Source: <https://www.gstn.org.in/gst>

4 Years of GST



GOODS AND SERVICES TAX NETWORK

Invoice Count as per Turnover Slabs (at GSTIN Level)

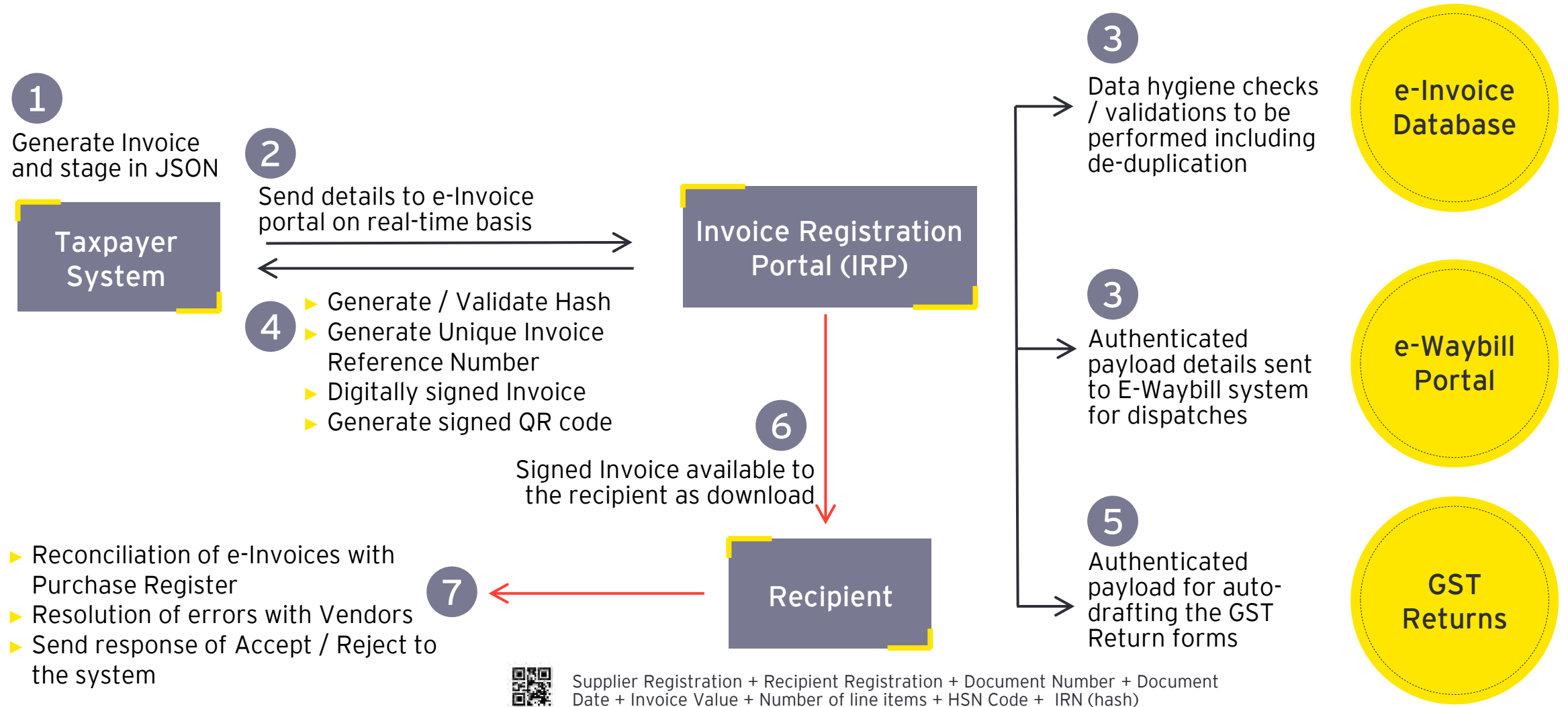
Turnover Slab based on Outward Supply declared in GSTR-3B*	Count of Taxpayers	No. of Invoices Reported in GSTR-1 by such taxpayers			Average count of invoices per month per tax payer
		Jan-21	Feb-21	Mar-21	
Upto 5 Lakhs	11,25,571	8,45,392	10,97,022	25,66,221	1.34
5 to 10 Lakhs	7,06,407	11,86,212	14,67,574	32,04,105	2.76
10 to 20 Lakhs	9,44,758	25,64,624	31,34,191	64,31,508	4.28
20 to 30 Lakhs	6,41,746	26,54,638	30,84,852	60,87,621	6.09
30 to 40 Lakhs	4,68,437	24,54,051	29,40,853	56,40,368	7.85
40 to 50 Lakhs	3,60,905	23,34,326	27,74,188	50,84,838	9.41
50 to 70 Lakhs	5,23,340	43,31,313	51,18,094	90,31,795	11.77
70 Lakh to 1 Crore	5,10,085	58,54,134	68,22,681	1,13,44,149	15.70
1 Crore to 1.5 Crores	4,99,417	83,30,952	96,10,865	1,46,86,471	21.78
1.5 Crores to 2 Crores	3,02,091	68,51,219	79,02,578	1,15,06,490	28.98
2 Crores to 3 Crores	3,45,478	1,08,68,789	1,24,49,474	1,75,24,257	39.41
3 Crores to 4 Crores	2,01,296	87,04,452	96,38,315	1,31,82,251	52.20
4 Crores to 5 Crores	1,35,253	75,33,993	80,36,990	1,02,91,330	63.74
5 Crores to 8 Crores	2,25,697	1,70,83,516	1,73,54,374	2,02,03,151	80.70
8 Crores to 10 Crores	87,095	82,54,482	83,33,795	91,17,534	98.38
10 Crores to 20 Crores	1,84,508	2,35,74,590	2,37,03,407	2,57,84,131	131.99
20 Crores to 50 Crores	1,14,313	2,34,70,121	2,34,77,656	2,54,67,981	211.16
50 Crores to 100 Crores	37,124	1,30,60,052	1,32,56,820	1,45,07,356	366.56
100 Crores to 500 Crores	30,079	2,40,58,413	2,42,78,878	2,70,06,348	834.94
Above 500 Crores	7,378	4,07,56,405	3,96,66,512	4,48,17,189	5,858.27
GRAND TOTAL	7,460,968	214,672,674	224,147,219	283,486,092	32.31

*Turnover at GSTIN Level for FY 2020-21

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Indirect tax compliances workflow

India experience



Most recent developments

REAP - Returns Enhancement & Automation Program

Auto population of returns

Integration with income tax

Integration with India stack

Input tax credit

Enhanced data in tax returns
shared with buyers

Recovery based on
matching of transactions
reported by the supplier

Proposal to leverage
e-invoice data through peer to
peer platform

Analytics & tax evasion related strategy

Network visualization of value
chain created across the
country

Carousel fraud detection
[EU losses estimated 15LCr]

MBMA Scheme

How taxpayers have typically responded



How clients have typically responded



Fire
Fighting



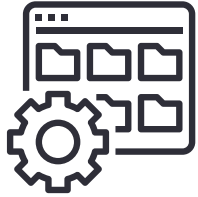
Resolution
in Isolation



Lack of
Broader Vision

- ▶ Common technology approach to resolving these issues
 - ▶ Build your own tool, in house. Typically a common spreadsheet
 - ▶ Once the spreadsheet starts failing...
 - ▶ Buy and implement a 3rd party tool (if it exists) and then re-introduce spreadsheets where functionality gaps exists
 - ▶ Embark on a large technology implementation. These often produce less value than anticipated, cost more and take longer. Results can be underwhelming

How clients have typically responded (cont)



Poor Data Management

Data approach

- ▶ Process data manually. Request, acquire and clean the data for isolated reasons only
- ▶ Lack of centralization and re-purposing of data. Data stays in the spreadsheet
- ▶ Occasional large data warehouse implementation. Again, these often produce less value than anticipated

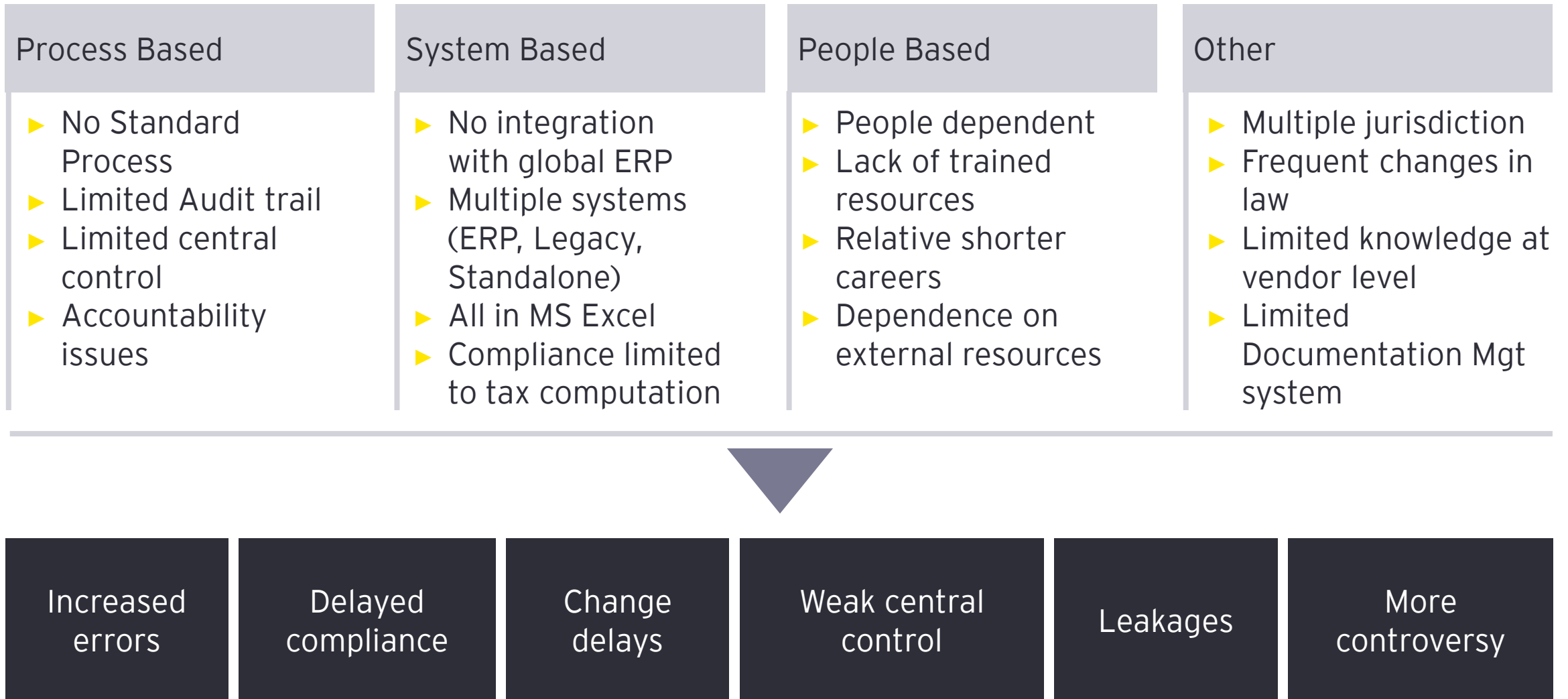


Additional Issues

Additional Issues

- ▶ Key person risk. Typically just one person understands the solution
- ▶ Solutions lack tax technical and system testing
- ▶ Lack of supporting documentation
- ▶ Poorly designed and built 'systems', leveraging only small amounts of available functionality
- ▶ Limited IP reuse. How could the resolution of this issue be leveraged for others?

Reasons for such reactions



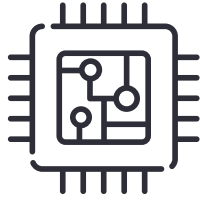
New approach to resolving
these business problems



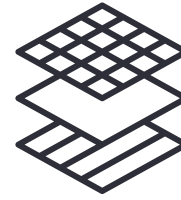
Guiding principle



Re-use IP



Leverage New
Technology



Re-use Data

Guiding principle of new approach

- ▶ Resolve business problems on a common platform, with consistency in the approach:
 - ▶ Re-use IP, technology functionality, data, control and management processes
 - ▶ Advances in technology allow a new way to approach these issues
 - ▶ Rapid evolution of 'Big IT' tools into 'My IT' tools, empowerment of the business user

Technology

Need for automation



Tax transformation journey



Tax Transformation - An opportunity to contribute & partner with business



Efficiency

- ▶ Do more with less
- ▶ Stay at par or ahead of Govt.
- ▶ Automate processes



Risk & Governance

- ▶ Create a Best in Class risk management & governance framework
- ▶ Reduce people dependencies



Value optimization

- ▶ Working capital optimization
- ▶ Tax cost optimization - DT & IDT
- ▶ Input credit optimization

In summary

What will clients achieve?

Efficiency

- ▶ Automate processes & improve efficiency
- ▶ Focus on value added activities
- ▶ Bring cost effectiveness

20-30% release of bandwidth for value added jobs

Risk & Governance

- ▶ Create a Best-in-Class tax function
- ▶ Enable risk managed compliance & reporting

Institutionalisation of tax knowledge & single source of truth

Contribution

- ▶ Tax cost optimization
- ▶ Working capital optimization
- ▶ Input credit optimization

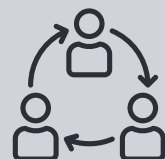
Reduction of tax working capital/cost

What is your role?



Tax function transformation

Prepare the blue print and assists in transforming in-house tax organization via digital intervention



Point based solution

Identify specific point based solutions for problem areas stated by the client to drive improvements and process efficiencies



Managed tax service

Take over entire tax function or specific tax processes as a managed service, driving targeted efficiencies across tax functions

Technologies to leverage



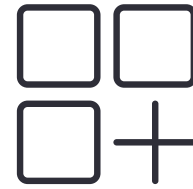
Technologies that can be leveraged



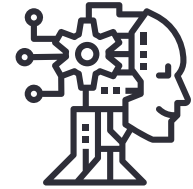
ERP capabilities



RPA



UI Path



IQ BOTs



Python



Flash



Off-the-shelf
solutions

Cloud v on-premise

Taxpayer assistance by GSTN

- ▶ Enablement created to help small and medium enterprises
- ▶ Accounting software also integrated
 - ▶ Available free for taxpayers with less than 1.5 cr turnover

Source: <https://www.gstn.org.in/gst>

4 Years of GST

GSTN
GOODS AND SERVICES TAX NETWORK

Taxpayer Assistance

Eco-system of GST Suvidha Providers

GSTN has 53 functional GSPs that deliver the necessary services to tax payers for becoming GST compliant in the GST regime. Businesses may avail of the services of the GSP as per their need.

Offline Tools Provided on the Portal

1. Returns Offline Tool
2. Tran 1 Offline Tool
3. Tran-2 Offline Tool
4. ITC-01 Offline Tool
5. ITC-03 Offline Tool
6. ITC-04 Offline Tool
7. GSTR-3B Offline Tool
8. GSTR-4 Offline Tool (Quarterly Filing)
9. GSTR-6 Offline Tool with Amendments
10. GSTR-7 Offline Utility
11. GSTR 8 Offline Tool
12. GSTR-9 Offline Tool
13. GSTR-9A Offline Tool
14. GSTR-9C Offline Tool
15. GSTR-10 Offline Tool
16. GSTR-11 Offline Tool
17. GST ARA-01 Application for Advance Ruling
18. Refund Statement Offline Tool
19. Matching Offline Tool
20. GSTR -4 Offline Tool (Annual)

Accounting Software Solutions

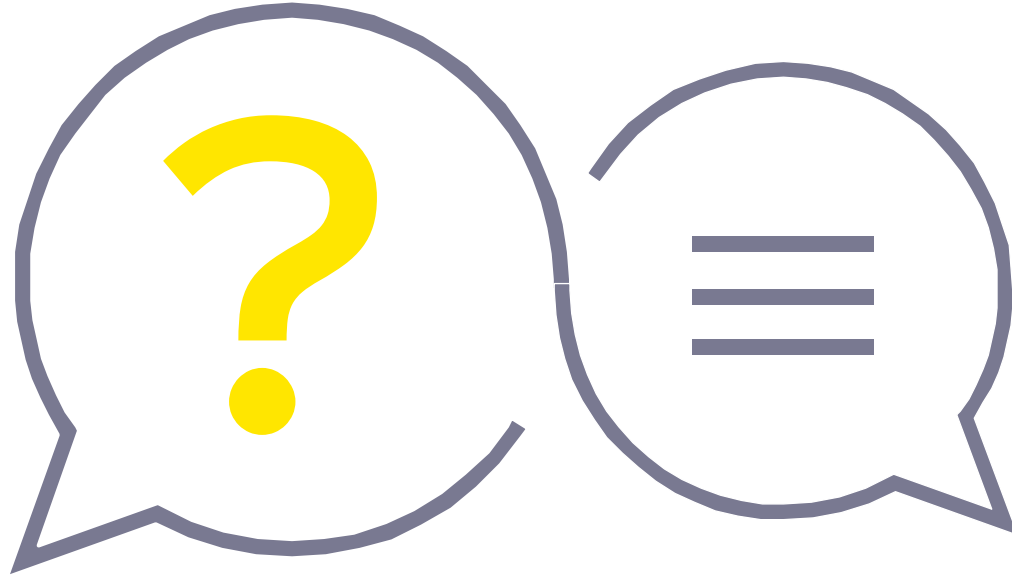
GSTN has partnered with some Billing and Accounting software vendors for providing free software to the small taxpayers or businesses with annual turnover less than Rs 1.5 Cr, in a financial year.

The software is available in three different formats: cloud based, desktop version and mobile phone based.

1. Aadaquare Info Private Limited (**UBOOKS**)
2. Focus Softnet Private Limited (**FOCUS LYTE**)
3. Marg ERP Limited (**MARG GST pro**)
4. Relyon Softech Limited (**SARAL ACCOUNTS**)
5. Sessaasal Business Forms Private Limited (**GENIEBOOKS**)
6. Zoho Corporation Private Limited (**ZOHO Books**)
7. Cygnet Infotech Private Limited (**Cygnnet FACE**)
8. IRIS Business Services Limited (**IRIS Vyapari**)

The products offer a basic version free of cost that assists the businesses in GST compliance.

- **Approx 25 % contribution of invoice uploads comes from top performing GSPs (~ 14 crore invoices in March 2021)**
- **GSPs cater to ~ 2.75 top compliant businesses**



Questions and feedback

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