

GOODS & SERVICES TAX

.....A COMPREHENSIVE INDIRECT TAX



Why Goods & Services Tax (GST) ?

GST is seen as India's most comprehensive tax reform since Independence

GST to remove following shortcomings of the present tax structures:

- Multiplicity of taxes
- Disruptions in seamless set off and cascading effect of tax on tax
- Varying VAT rates for same goods in different states
- Disjointed VAT & Service Tax
- Limitations of power to levy:
 - Centre cannot tax value addition beyond manufacture
 - State cannot tax services



“GST is not simply VAT plus service tax, but an improvement over the previous system of VAT and disjointed service tax “ – Excerpt from the First Discussion Paper on GST (2009) by Empowered Committee

GST – Worldwide

- France was the first country to introduce GST in 1954
- Worldwide, almost 160 countries have introduced VAT/GST in one form or other
- Most of the countries have a unified VAT/GST system - Brazil and Canada follow a dual GST
- GST rates of some countries are given below:

Rate	Countries
<= 10 %	Australia, Canada, Indonesia, Japan, Malaysia, Singapore, Taiwan
11-20%	Austria, China, France, Mexico, Russia, South Africa, U.K., Germany, Philippines
20% >	Denmark, Finland, Belgium, Poland, Sweden, Italy

No GST in the USA – Under federal tax structure, uniform GST across the states is not effective since the Federal Govt. in the USA does not levy tax on goods and services

Dual GST concept

- India is a quasi federal country where both Centre and States have been assigned the powers to levy and collect taxes through appropriate legislation
- Both levels of Government have distinct responsibilities and division of powers for which they need to raise resources
- A dual Indian GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism

India set for a Dual GST Structure – 4 - tier rate structure introduced ranging from 5% to 28%

Progress so far

- May 2015 & August 2016 - Bill passed by Lok Sabha & Rajya Sabha respectively - Lok Sabha, unanimously accepted the amendments and Constitution (122nd Amendment) Bill, 2014 was passed
- June 2016 - Model GST Law, Model Integrated Goods & Services Act, 2016 and GST Valuation Rules, 2016 were published
- Sep 2016 - GST Bill ratified by State Assemblies of 15 states (presently 23 States have ratified) - Presidential assent received on 8th Sep 2016 and notified as the Constitution (101st Amendment) Act, 2016
- GST Council constituted by the President on 15th Sep 2016 with members including Union Finance Minister, Union Minister of State, Ministers in charge of Finance or Tax of the State
- Nov 2016 - GST Council met again on 3rd & 4th Nov, 2016 and the following consensus has been reached :
 - 4-tier rate structure- 5%, 12%, 18% and 28% (peak rate- to apply to luxury and demerit goods)
 - 50% of products in the CPI basket, including food grains, has been kept at “zero-rated”
 - Items of mass consumption will be taxed under 5% tax rate
 - Tobacco, Luxury products and sin items subjected to Cess for compensating the States for 5 years
- Nov 2016 - Revised draft of Central/State GST law, Integrated GST law and the Compensation law released

CONSTITUTIONAL AMENDMENTS CARRIED OUT:

- Giving concurrent powers to both Centre and States to levy GST on the same transaction
- Enabling States to levy tax on services
- Introducing legislation for common Indirect Tax law across the country
- Setting up of a Council having representations from all states as the governing authority for GST

Roadmap Ahead

- 1 Migration of existing taxpayer database to GSTN – GST Enrolment – Nov 2016 to Mar 2017
- 2 Recommendation on Model GST laws, threshold rates etc. to the Union and the States by GST Council - Dec 2016
- 3 Backend IT systems to be ready (CBEC and States) - Dec 2016
- 4 Parliament has to pass separate legislations for Central GST Act & the Integrated GST Act - Dec 2016
- 5 Each State legislature has to pass its own State GST Act - Dec 2016
- 6 Development of frontend and backend IT processes - Jan 2017
- 7 Notification of GST Rules and Testing of IT systems for all stakeholders - Feb & Mar 2017
- 8 GST Roll out - April 2017



India on the brink of 'Metamorphic' change in Indirect Tax reforms with incarnation of GST

Government Preparedness

Steps

- Establish a legal framework for GST and prepare the IT infrastructure
- Carry out "change management" and train officials
- Consult Trade and Industry for roll out of the new tax regime from April 2017
- Outcome of the GST Council meeting held on 22nd & 23rd Sep 2016
 - Threshold limit for GST has been set at INR 20 Lakhs (For NE States and other small states- limit is INR 10 Lakhs.)
 - All cesses will be subsumed in GST
 - State Authorities will have jurisdiction over assesseees with annual turnover of less than INR 1.5 Cr.
 - Draft Rules on granting exemptions to be finalized in subsequent Council meeting
- 3 drafts viz. CGST/SGST, IGST & Compensation laws have been released on 26th Nov
- Next Council meeting shall be held on 2nd & 3rd Dec to approve the draft GST legislations
- Cabinet Approval for the CGST and IGST laws by Centre and for SGST laws by all states - Winter Session 2016

GST Training*

Training on GST IT systems:

- To be held in pyramidal structure by GSTN: *December 2016 – March 2017*

Interaction with trade and industry:

- Stakeholder consultation and outreach workshops to be organised across the country - *already started with Hyderabad and Jaipur.*
- To be completed by *March 2017*

**Source: GST – Next Steps PPT by Revenue Secretary*

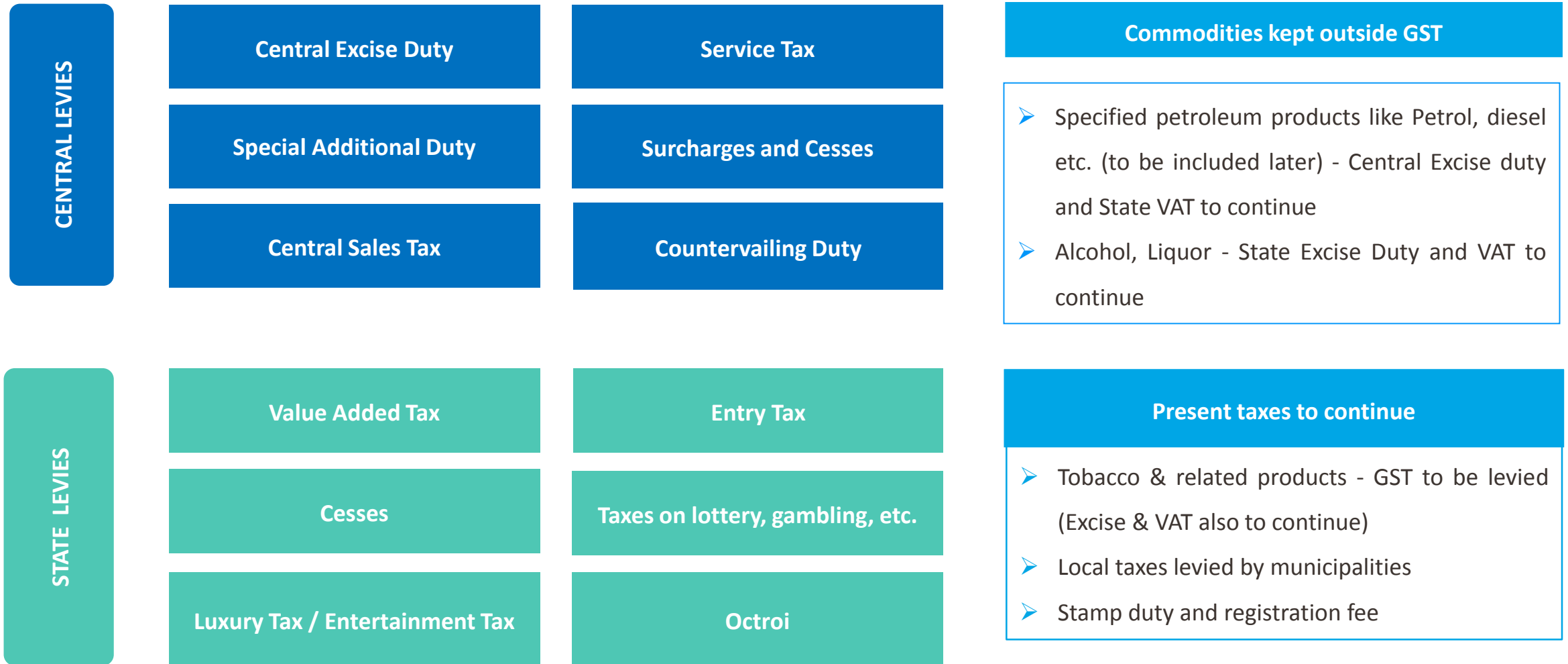


GST Network – IT backbone

- Goods and Services Tax Network (GSTN) is a section 25, non-Government private limited company set up by Centre and States - To provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders
- GSTN to develop:
 - **Frontend Processes:** Common modules for registration, returns and payments
 - **Backend Processes:** Modules for backend processes of tax authorities such as processing registration/returns, assessments, audit, appeals, etc.
- A common GST portal would be designed to meet the goals of GSTN:
 - Common standardized return for all taxes
 - Reconciliation of returns and challans
 - Matching of input tax credit
 - Target end Jan, 2017 - Development and deployment of front end and back end processes
 - Target end Feb & Mar 2017 - Integration and testing

Source: GST – Next Steps PPT by Revenue Secretary

Taxes to be subsumed in GST

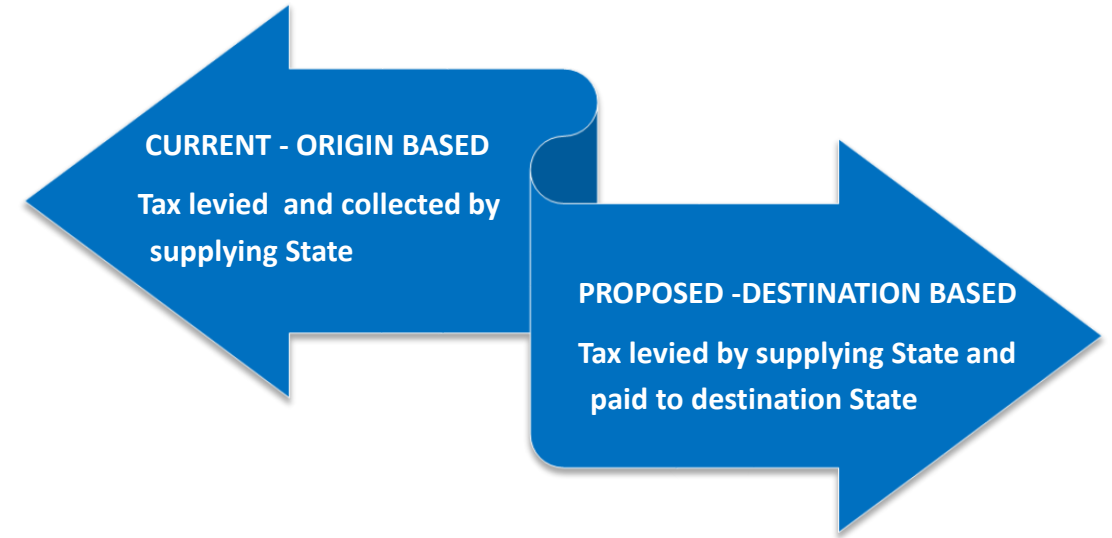


Key Concepts of GST

- **GST** is a destination-based consumption tax on goods & services applicable to whole of India including Jammu & Kashmir
- **Levy** is on **Supply** of Goods and Services
 - “**Goods**” means every kind of movable property other than money and securities but includes actionable claims
 - “**Services**” means anything other than goods and excludes money and securities

[As per the Model GST Law, Nov 2016]

- Levy of **Central GST (CGST)** and **State GST (SGST)** simultaneously on intra-state supplies of Goods & Services
- Levy of **Integrated GST (IGST)** on inter-state supplies, import, export of Goods & Services *and supplies to or by a SEZ developer or SEZ unit*



In GST, there is complete pass through of all tax payments, local or inter-state and the tax essentially 'sticks' on final consumption within the taxing jurisdiction



Levy of GST

- **CGST/SGST – Central Act for CGST and Individual State Acts for SGST**
 - On intra-State supplies of goods and/or services at the rate specified in the Schedule
 - Payable by every ‘taxable person’
- **IGST – under IGST Act – Central Act**
 - On supply of goods and/or services in the course of inter-state trade and commerce, which includes export and import transactions and supplies to or by SEZ developer or unit
 - Payable by every ‘taxable person’
- CGST/ IGST /SGST – Also payable on reverse charge for supply of goods & services in specified circumstances (*Details yet to be notified*)

*GST Rates notified -
breakup between
CGST and SGST yet to
be announced*

Composition scheme prescribed for levy of GST for registered taxable persons having annual turnover less than INR 50 lakhs - Rate of tax not <2.5% for manufacturer & 1% in other cases, with no set off facility (not applicable for inter-state supplies)

Exemptions

- CG/SG empowered to issue exemption notifications upon the recommendation of the GST Council
- Clarificatory amendment (on exemption notification issued under Sec. 11) inserted through explanation within 1 year of issuance of the notification - Effective retrospectively

Key Concepts of GST

- **Taxable person** – A person registered or liable to be registered under Schedule V [Sec. 10]
 - A person having more than one registration in one state or more than one state to be treated as distinct persons
 - Threshold turnover limit INR 10 lakhs for any of the NE States including Sikkim and INR 20 lakhs for rest of India
 - Threshold limit not applicable for persons specified in Schedule V including persons making inter-state supplies, casual taxable persons, person required to pay tax under reverse charge, non-resident taxable persons

Excludes

- Person supplying goods and/or services not liable to tax or wholly exempt from tax
- An agriculturists, for the purpose of agriculture



Meaning and Scope of Supply

- Supply includes sale, transfer, barter, exchange, license, rental, lease or disposal, etc.
- Importation of service for a consideration – for business or otherwise
- Branch transfer may get covered under GST
- Supply to agents to attract GST
- Supply of goods by a registered taxable person to a job-worker under a job work arrangement shall not be a supply
- Intra-state Supply subject to CGST and SGST and interstate supply subject to IGST

Intra-state Supply	Location of the supplier and the place of the supply are in same state
Inter-state supply	Location of the supplier and the place of the supply are in different states

➤ *Different branches under the similar business vertical (distinguishable components of enterprise subject to separate risks and returns) in the same state may not be regarded as separate taxable persons and therefore supplies within branches in the same state may not attract GST*

➤ *Inter-state transactions between Branches will attract GST [Sec 10(3)]*

The expressions sale, transfer, barter, exchange, license, rental, lease has not been defined in Model Law - It is expected that appropriate definitions would be introduced

Dual Structure

- 'Dual structure' consisting of CGST and SGST
- Interstate supply will attract IGST (CGST+SGST)
- Consuming state to receive SGST portion
- Imports will attract IGST (BCD to continue); exports at zero rate

Scope of levy

- Taxable event will be supply of goods or services or both
- Uniform Threshold limits for both goods and services (INR 10 lakhs for NE states and other small states & INR 20 lakhs for ROI)
- Exemptions to be aligned with current VAT exemptions

Rate structure

- Estimated Revenue Neutral Rate : 15-15.5%
- Industrial incentives likely to be converted into cash refund scheme for the balance period

Compliance

- Monthly returns for Inward and outward supplies for goods and services
- No Centralized Registration - Registration required for each State
- Fund movement between Centre and State through central clearing house

Destination based GST would lead to:

- Shift of taxable event from MANUFACTURE/SALE to SUPPLY
- Revenue from inter-state transaction to accrue to the DESTINATION State & not to ORIGIN State



GST – Payable on Transaction value

- *Transaction value is price actually paid or payable for supply of goods or services*
- *If transaction value cannot be ascertained, then value to be determined as per GST Valuation Rules*
- *MRP based valuation not prescribed in model law*

Inclusions

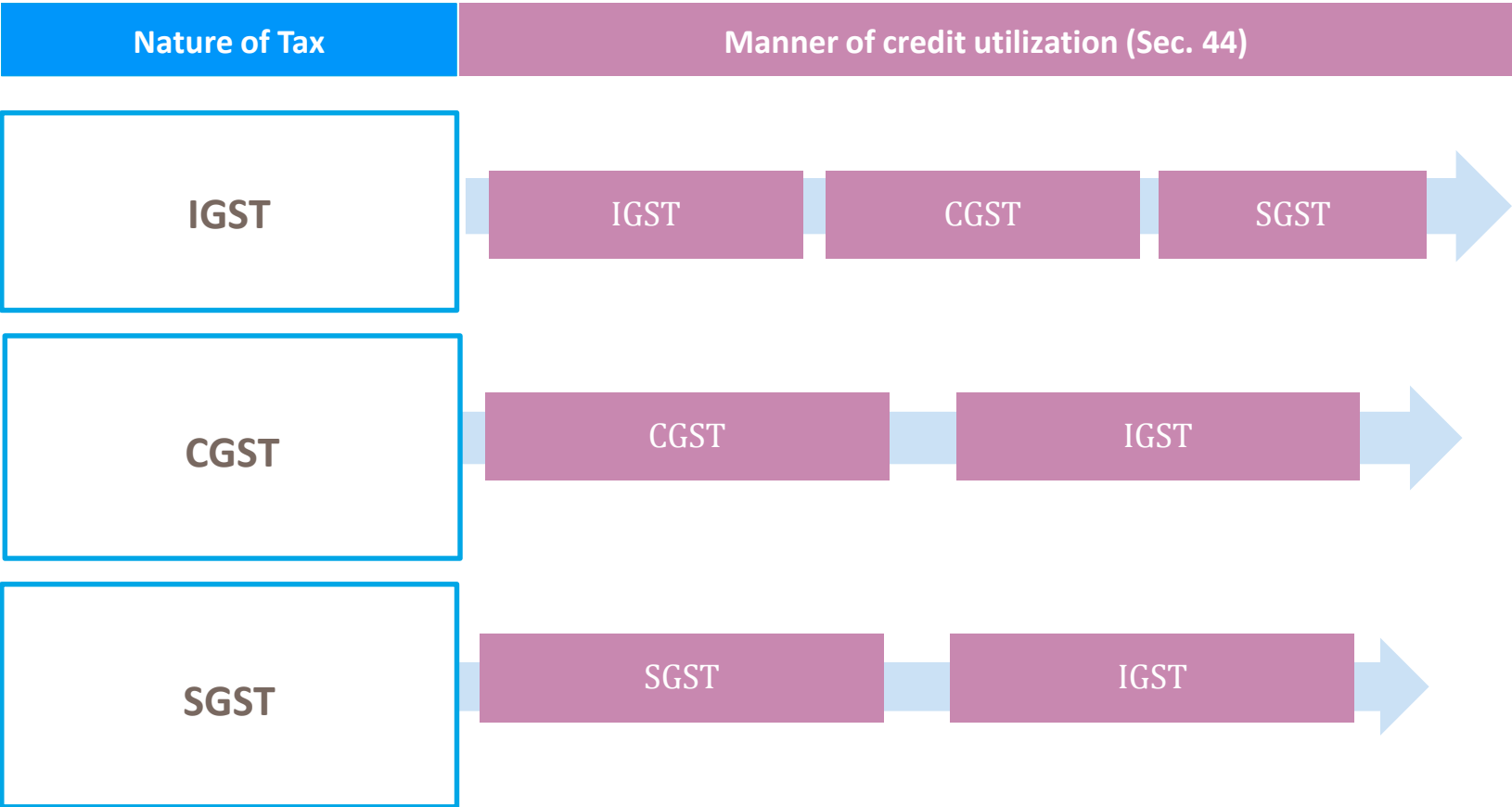
- Any duty, tax, cess, fees levied other than CGST/SGST/IGST
- Any reimbursable expenditure or cost incurred by or on behalf of the supplier and not included in the price actually paid or payable
- Incidental expenses such as commission and packaging
- Interest or late fee or penalty for delayed payment of consideration for supply
- Subsidy linked to supply



Exclusions

- Any discount allowed before or at the time of supply, where such discount allowed in the course of normal trade practice and has been duly recorded in the invoice issued in respect of the supply
- Post-supply discount which is established as per the agreement, is known at or before the time of supply and specifically linked to the relevant invoices

Input Tax Credit – Availment & utilization



Input Tax Credit – Availment & utilization

➤ Eligibility (subject to conditions to be prescribed)

- Available on any supply of goods/service – used or intended to be used in the course of or furtherance of business
- Amount shall be credited to the Electronic Credit Ledger
- Specific conditions for ITC in respect of pipeline & telecommunication tower

➤ Basic Conditions

- Possession of a tax invoice/other tax-paying documents (to be prescribed)
- Goods /Services have been received by the registered taxable person
- Supplier/RCM has actually paid the tax charged/payable and he has been paid the value and tax charged within 3 months
- Return has been furnished under Sec 34
- Credit against an invoice of a FY is available up to the date of:
 - Filing of return for the month of September following the said financial year;
 - Filing of the relevant annual return; whichever is earlier (Sec. 16)

Input Tax Credit – Availment & utilization

➤ Restrictions

- Part use of goods/services in non-business purposes – ITC restricted to that part used in business – Rules for apportionment to be prescribed
- ITC attributable to exempt supplies (including those supplies on which the recipient is liable to pay tax under RCM) – Sec. 17(2) - Rules for apportionment to be prescribed - No restriction for ITC attributable to zero rated supplies
- Banking/NBFC – option to avail 50% of input tax or follow Sec 17(2) – Option to be exercised for the entire FY

➤ Items in Negative List

- Tax paid by the supplier under Sec. 9 (composition levy)
- Motor vehicles and other conveyances – except when used for supply/hire, transportation business
- Specified supplies except for use by a supplier engaged in the same category of goods/services (health service, beauty treatment etc.)
- Membership of a club, health & fitness centre
- Rent-a-cab, life/health insurance – except where these are notified as statutorily required
- Tax paid for Leave Travel concessions
- Works contract services when supplied for construction of immovable property other than P&M – except for provision of back to back services
- Goods & services received for own construction even if it used for furtherance of business
- Supplies used for personal consumption
- Goods lost/stolen/destroyed/written off or disposed off by way of gift or free samples
- Tax paid on subsequent determination (Sec. 67), (transit detention u/s Sec. 89), (confiscation of goods u/s 90)

Anti – profiteering Measure

- The CG can constitute an Authority or entrust an existing Authority to examine whether :
 - Input Tax credits availed by any registered person or
 - Reduction in price on account of reduction in taxhave actually resulted in a commensurate reduction in the price of goods and/or services supplied
- The given Authority shall have prescribed functions and powers, including the power to impose penalty if it finds the price has not reduced

- Sec. 163 of Model GST law

- The said Sec. was not present in the 1st draft of Model GST Law & has been inserted in the 2nd draft by borrowing the concept from Price Control & Anti-Profiteering Act 2011, in Malaysia
- GST is expected to reduce prices of various products & CG in order to ensure that traders do not use GST as an excuse to raise prices and earn excessive profits has brought in the concept of anti - profiteering
- CG's aim is to pass on the benefits of GST to consumers and hence the said changes in the Model law have been made

Measures the Govt. can take to control prices with Anti – Profiteering clause

- Enact a separate act & constitute a specific administrative authority to implement anti-profiteering
- Enactment of laws at par with Price Control & Anti-Profiteering Act 2011 in Malaysia
- Setting up ministries like Ministry of Domestic Trade, Cooperatives to monitor, control and take action on price increase due to excessive profiteering
- Hypermarkets & Supermarkets like Big Bazaar will play a big role as price setters of various goods

Takeaways

- Unforeseen litigations and compulsion of Cost Audit cannot be ruled out
- To prevent litigations companies should check their costing strategy

Repeal and Saving (Sec. 164 of Revised Model Law)

- From the date of commencement of GST Act, the existing State VAT, Central Excise Act and Central Excise Tariff Act to apply only in respect of following:

VAT & Central Excise	VAT & State Excise	Only Central Excise	Only State Excise
Petroleum crude	Alcoholic liquor for human consumption	Tobacco and tobacco products	Opium, Indian hemp and other narcotic drugs and narcotics
High speed diesel	The following Acts shall continue to apply until repealed under Section 19 of the Constitution (101 st) Amendment Act, 2016: <ul style="list-style-type: none"> ➤ State VAT ➤ Central Sales Tax 		
Motor Spirit (petrol)			
Natural Gas			
Aviation turbine fuel			

Acts to be Repealed (as per taxes subsumed under GST)
Entry Tax Act
Entertainment Tax Act
Luxury Tax Act
Duty of Excise on Medicinal & Toilet Preparation Act
Chapter V of Finance 1994 (Service tax)

Comments:

- 1) *It is pertinent to note that the Central Sales Tax Act is not specifically repealed as per the Model GST law*
- 2) *In addition to the existing levies as mentioned above, GST to apply on Tobacco and tobacco products and Opium, Indian hemp and other narcotic drugs and narcotics*
- 3) *Earlier laws shall continue to apply in respect of taxes incurred in that law and pending proceedings instituted before the appointed day*

Transitional provisions

➤ **General & Procedural Provisions for transition (Sec. 165 & 166)**

- All tax authorities operating under the respective Tax laws to continue as GST officers/competent authorities
- CG/SG authorized to make rules/orders as deemed necessary for smooth transition
- The credit should have been admissible under earlier laws as well as in the GST Law
- Procedural requirements for migration specified in Se. 166

➤ **Carry forward of ITC**

- Not applicable to registered persons paying tax under Composition Levies u/s 9
- Balance of CENVAT credit reflected in last return filed just prior to appointed date will be transferred to CGST
- Balance of VAT credit and Entry Tax reflected in last return filed just prior to appointed date will be transferred to SGST
- The said return should have been filed within 90 days of the appointed date
- Credit attributable to claims under Sec, 3, Sec. 5(3), Sec. 6/6A of the CST Act shall be permissible to be transferred to the electronic Ledger, if it is substantiated in the manner and within the period prescribed in Rule 12 of the CST (Registration & Turnover) Rules, 1957 – The claim would be refunded under the earlier law.

➤ **Treatment of un-availed credit on capital goods, not carried forward in a return**

- Credit on capital goods admissible under the earlier laws as well as MGL, can be availed even if not c/f in the return
- Similar provisions introduced for CGST/SGST

Transitional provisions

- **Credit of eligible duties and taxes in respect of inputs held in stock – Sec 169**
 - Credit of eligible duties and taxes in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock to be allowed to taxable person not registered earlier or manufacturer of exempted goods, subject to:
 - Inputs/goods used for taxable supplies
 - Benefit of credit to be passed on to the buyer
 - Taxable person should be eligible to ITC
 - Invoice evidencing payment of duty
 - Invoice to be issued not earlier than 12 months from the appointed date
 - Supplier not eligible to any abatement
- **Credit of eligible duties and taxes in respect of inputs held in stock – Sec 170**
 - For suppliers of taxable and exempted goods or services, credit carried forward in the return to be allowed in terms of provisions of Sec 169
- **Credit of eligible duties and taxes in respect of inputs or input services during transit – Sec 171**
 - Credit to be allowed of duty or tax paid before the appointed date provided that invoice is recorded within 30 days from the appointed day

Transitional provisions

- **Credit of eligible duties and taxes on inputs held in stock to be allowed to a taxable person switching over from composition scheme– Sec 172**
 - Composition taxpayer under the earlier law shall be entitled to credit of inputs in stock, semi-finished or finished goods in stock subject to:
 - Inputs/goods used for taxable supplies
 - Taxable person not paying tax u/s 9 (Composition levy under GST)
 - Taxable person should be eligible to ITC
 - Invoice evidencing payment of duty
 - Invoice to be issued not earlier than 12 months from the appointed date

Transitional provisions - Others

Situation	Event before appointed date*	Event after appointed date*	Treatment
Long term construction/ works contract	Contract entered into	Supply of goods and/ or services	Taxed under model GST law
Progressive or periodic supply of goods or services	Consideration (in full or part) received and Duty / tax paid under the earlier law	Supply of goods and/ or services	No tax payable under the Model GST law
Distribution of credit by Input Service Distributor	Services received	Invoice raised	Credit to be distributed as per CGST / SGST law
Return of goods	Sending of goods (job work, sale on approval, etc.)	Goods returned within 6 months	No tax shall be payable under model GST law
Sale on which tax is to be deducted at source under earlier law	Sales made and invoice issued	Payment received	No TDS to be deducted under Model GST Law
Revision of price	Contract entered into	Price Revised	If issuance of supplementary invoice /debit note/credit note within 30days of price – deemed to be issued under GST

**'Appointed date' means the day when the provisions of GST Act comes into force*

Transitional provisions - Others

Situation	Event before appointed date*	Event after appointed date*	Treatment
Carry forward of balance CENVAT credit /Input Tax Credit	Credit admissible under the earlier law	C/f of CENVAT credit/ITC balance from return of earlier law to the Electronic Credit Ledger	CENVAT credit/Input Tax Credit admissible under GST law to be c/f
Balance CENVAT credit on capital goods not availed	Credit admissible under the earlier law	CENVAT credit balance to the Electronic Credit Ledger even if not taken in the return	CENVAT credit/Input Tax Credit admissible under GST law to be c/f
CENVAT Credit on inputs, semi-finished/finished goods in stock	Supplier not registered or provider of exempted goods or service, Credit admissible under the earlier law and invoice raised not prior to 12 months	CENVAT credit balance to the Electronic Credit Ledger	CENVAT credit/Input Tax Credit admissible under GST law to be c/f
CENVAT Credit on inputs, semi-finished/finished goods or input services in transit	Duty or tax paid	Invoice raised within 30 days	CENVAT credit/Input Tax Credit to be taken in the electronic ledger

*'Appointed date' means the day when the provisions of GST Act comes into force

Registration

- Existing registered persons to be considered as deemed to be registered under GST
- PAN based registration
- Separate categories of registrations for different taxpayers
- Separate registrations in each state for entities effecting supplies from multiple States
- Separate registrations for separate business verticals within the same State
- No registration for exclusively supplying goods / services not liable to tax
- States like Gujarat, Maharashtra have started enrolment of their registered dealers for provisional registration under GST

No threshold limit for the registration of the following categories of suppliers (Schedule V)

Person making interstate taxable supply

Casual taxable person/ Non-Resident

Person making payment of tax under reverse charge

Person liable to deduct tax u/s 37 (TDS)

Person making supplies as an agent or otherwise

Input Service Distributor

Person making supplies of Goods & Services (except branded services) through e-commerce operator

An aggregator who supplies services under his brand or trade name

TDS & Returns

Tax Deduction at Source (TDS)

- Central Government or State Government may mandate deduction of tax @ 1% on payment made or credited by:
 - Department of CG or SG
 - Local authorities
 - Governmental agencies
 - Other notified categories
- TDS will be deducted on specified goods or service to be notified
- Applicable when total value of such supply under a contract exceeds INR 5 lakhs
- TDS should be deducted within 10th of subsequent month.
- Procedure for deposit of such tax and issuance of a credit certificate has been prescribed.
- Failure to issue certificate within 5 days of making payment of tax ,would be liable to penalty upto INR 5000

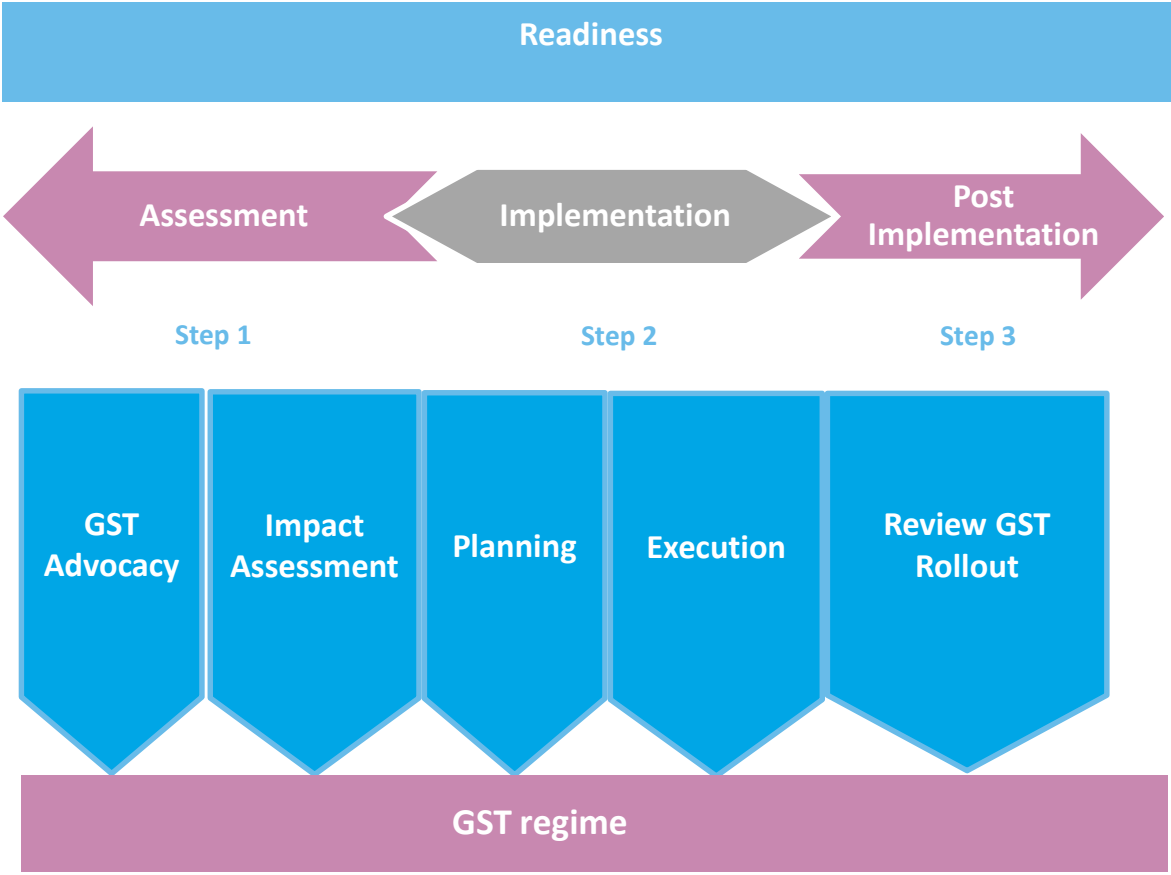
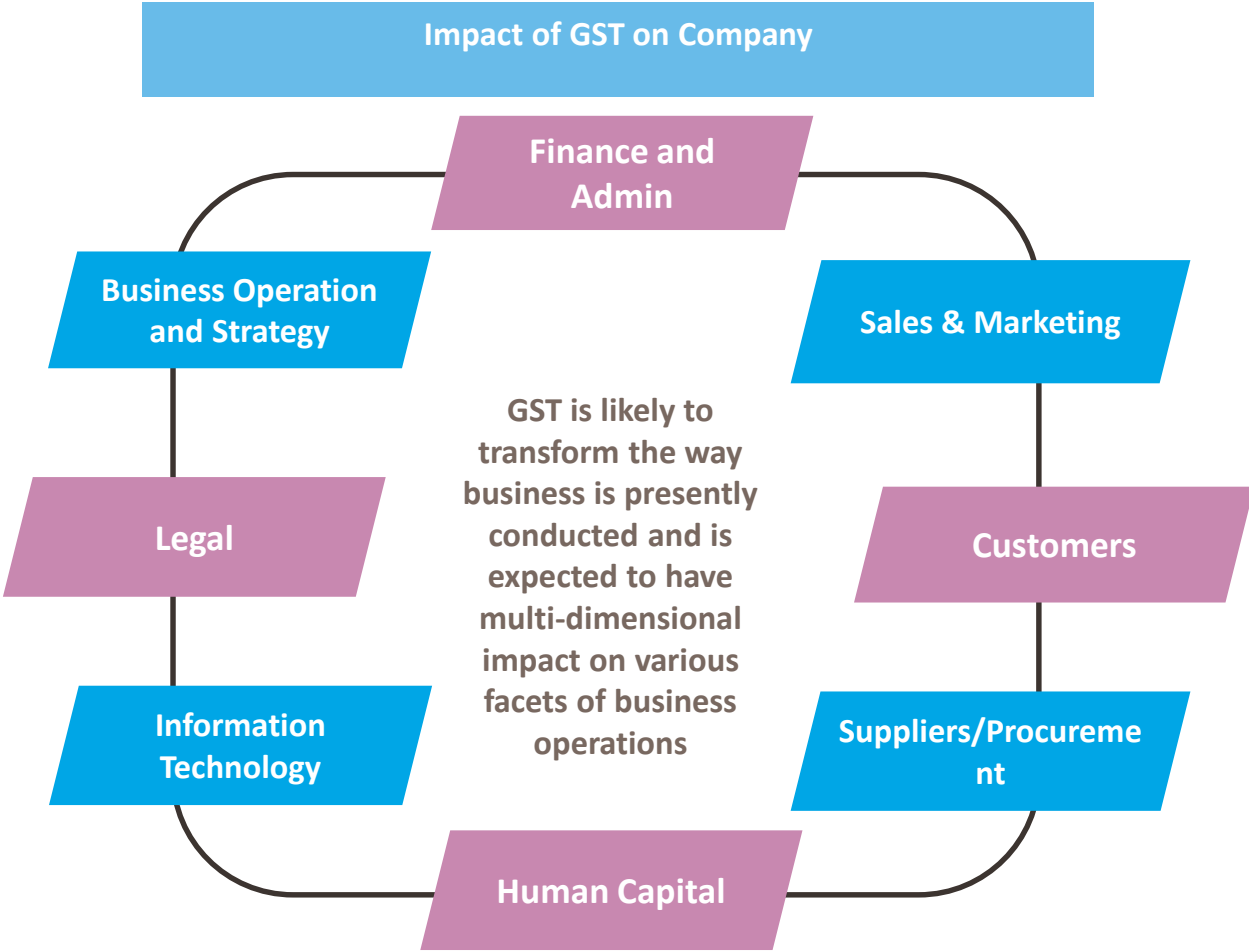
This provision seems to be a significant departure from the current indirect tax regime where TDS is applicable on works contract only

Returns

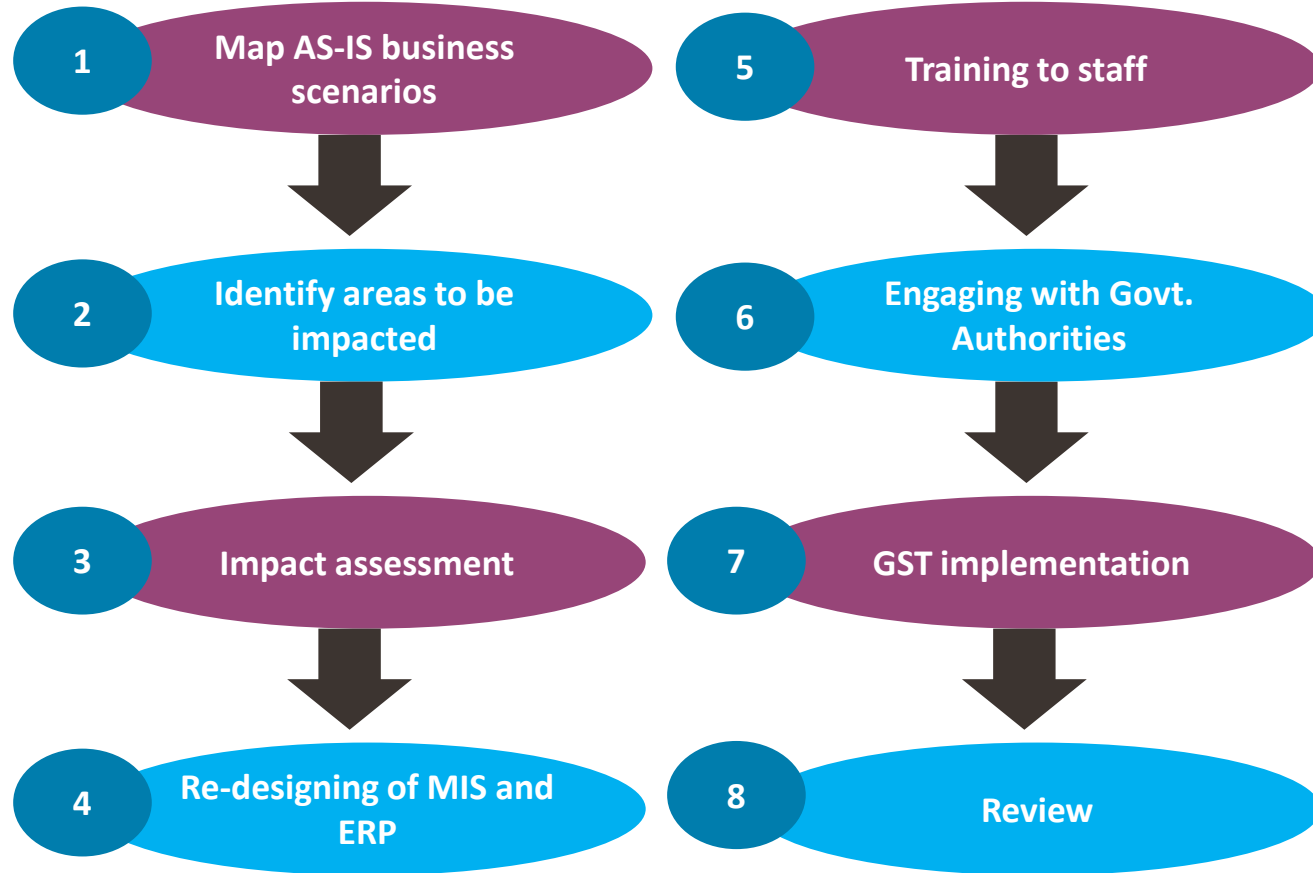
- A normal registered taxable person has to file on a monthly basis:
 - Return containing details of outward supplies
 - Return containing details of inward supplies
 - Return consolidating the outward and inward supplies
- Specific provision has been made in respect of filing first return
- A registered taxable person is also required to file an annual return
- Separate returns prescribed for taxpayer under composition scheme, non-resident foreign taxpayer, Input Service Distributor, and TDS deductor
- Final return to be filed in case of cancellation of registration
- Levy for late fee for delay or non-filing of returns are prescribed
- No provision for revising the returns, but rectification of errors / omissions is allowed upto a prescribed time period

Significant increase in compliance burden in comparison to the current regime

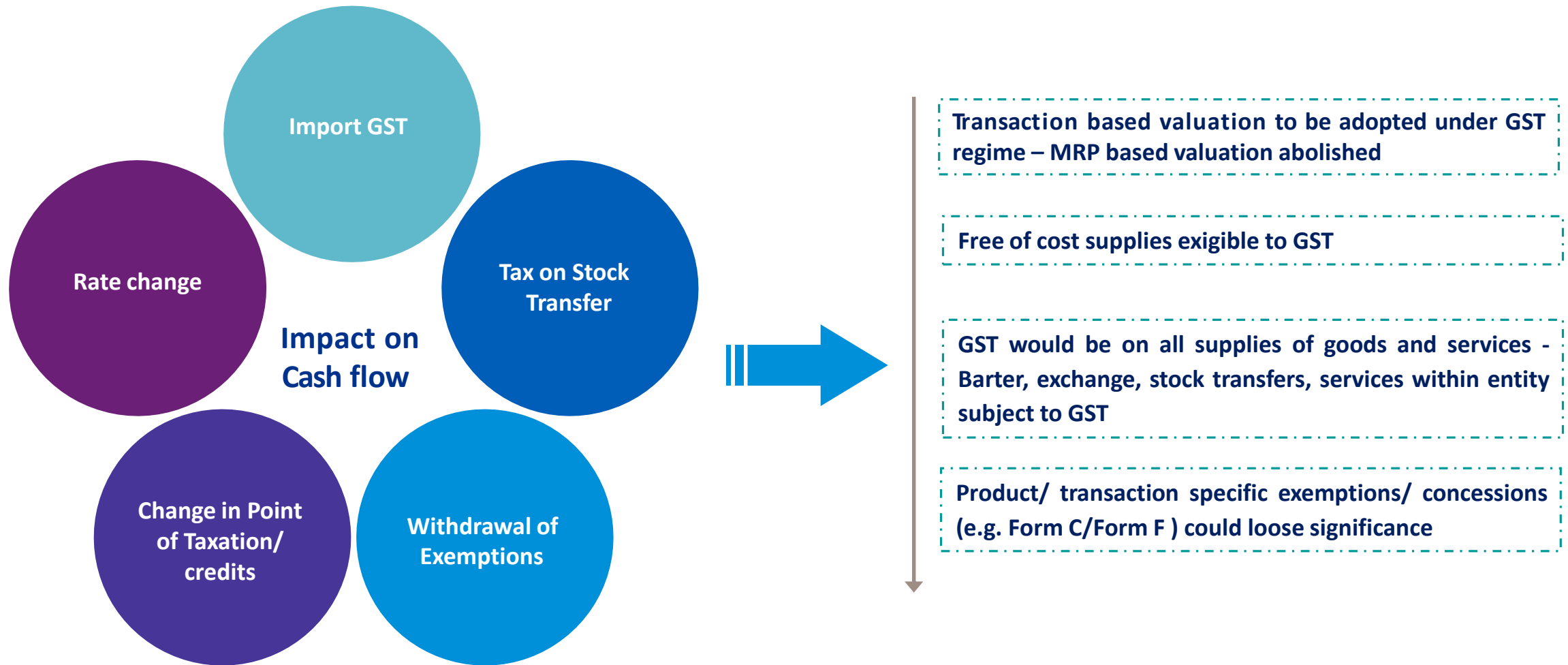
GST – Impact and Readiness



GST– Transition Management



GST– Potential Impact areas



Most of the planning under GST regime is expected to revolve around optimizing cash- flows

Impact of GST on prices

Transaction		Net Cost to Buyer* (Existing)	Net cost to buyer * (GST)
Inter-state Sale – B2B (Base price INR 1,00,000)		1,14,750	1,00,000 
Inter-state Sale – B2C (Base price INR 1,00,000)		1,42,003	1,31,540 
Intra-state Sale – B2B (Base price INR 1,00,000)		1,12,500	1,00,000 
Intra-state Sale – B2C (Base price INR 1,00,000)		1,39,219	1,31,275 
Supply of service – B2B (Base price INR 10,000)		10,000	10,000 
Supply of service – B2C (Base price INR 10,000)		11,500	11,800 
Works Contract – Project companies (Base price INR 1,00,000)		1,13,250	1,18,000 
Trading in goods (Base price INR 1,00,000)		1,39,219	1,31,275 

 Cost decrease
  Cost increase
  Cost indifferent

*Values are in INR
Rate of GST has been considered to be 18%

In general, GST is beneficial to consumers

What Company needs to do



Map AS-IS business scenarios

- Review of business models
- Procurement and supply chain
 - ✓ Imports and exports
 - ✓ Intra-state & inter-state purchases, sales and stock transfers
- Present tax incidence
- Product costing review
 - ✓ Identify creditable and non-creditable taxes
 - ✓ Quantify unutilized taxes
 - ✓ Impact of tax under tax inclusive contracts
 - ✓ Statutory variation clause

Re-designing of MIS and ERP

- Identify changes required in ERP
- Alignment of ERP / MIS with the GST regime
- Developing systems and processes for seamless transition
- Troubleshooting

Training to staff

- Develop training modules for compliance with the procedures prescribed
- Conduct trainings for staff for the implementation of GST
- Conduct trainings for the channel partners /external stakeholders

GST implementation

- Strategy formulation in the following key areas:
 - Taxes / levies subsumed in GST and related compliance processes
 - Taxability of transactions
 - Credits, exemptions, refunds, valuation and classification
 - Compliance measures
- Few procedures may need to be followed again as and when the amendments in State GST laws come in force



What Baker Tilly DHC will do for you - Pre Implementation



Business Structure and GST impact assessment

- Assess present business model and tax structure and present Indirect taxes being paid
- Examine logistic Model of the Company
- Review pricing and marketing Strategy
- Evaluate Tax credit mechanisms
- ERP processes under the present structure relating to procurements, supplies, tax payments, returns, control mechanism, etc.
- Review of existing exemptions, benefits, concessions, etc. enjoyed under the current system of taxation
- Evaluate tax benefits/costs on inter-state sales and stock transfer in the current regime vis-à-vis GST regime



Strategy formulation and implementation assistance

- Taxes/ levies likely to be subsumed and related compliance processes
- Upon introduction of draft legislation for GST, the impact analysis would be aligned with the draft legislation
- Analysing the impact of GST on the business models and suggest modifications and alternatives wherever necessary.
- Preparing the blueprint for switchover from existing Indirect tax regime to GST regime to simplify taxation structures with minimal tax cost and maximum tax credits
- Review of implementation plans in light of draft GST legislations



What Baker Tilly DHC will do for you – Post Implementation



Assistance in redesigning MIS and ERP

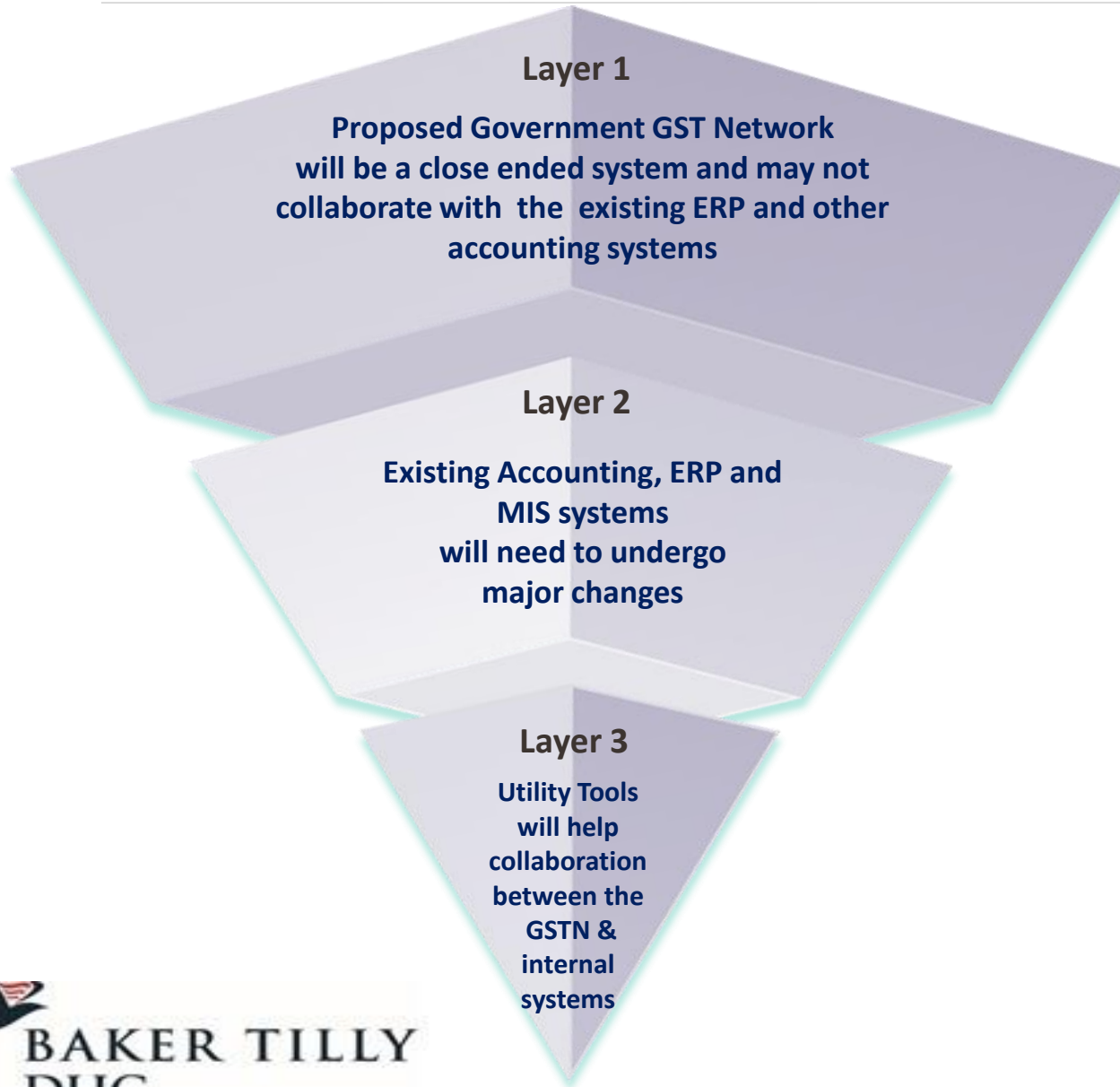
- Understand existing ERP systems
- Identify trigger points for ERP/ MIS realignment
- Assist IT team for real time realignment of ERP / MIS
- Develop training modules for compliance & Staff training
- Advisory & co-ordination with Government agencies for taxability, classification, valuation, credit flow etc.
- Developing systems and processes for seamless transition troubleshooting

Assistance in post GST environment

- Creation of helpdesk for bottlenecks and teething troubles upon migration to GST
- Advisory in areas pertaining to taxability, credit flow, tax rates etc.
- Revisit pricing of products and arrangements
- Handholding during transition phase and ongoing advisory
- Assisting in compliances like registrations and return filing
- Monitoring compliance for the initial period
- Advising on strategies to be adopted for representing the issues before relevant authorities



Baker Tilly DHC Approach – IT support



Baker Tilly DHC can assist the clients in Layer 2 & 3 with customised and functional utility tools at each stage of transition and steady state functioning



Thank You

Impact of IGST – B2B Supply of Goods (Inter-state)

Existing System		Proposed System	
Sale Price	1,00,000	Sale Price	1,00,000
Excise Duty @ 12.5%	12,500	Excise Duty	Nil
CST @ 2%	2,250	IGST @ 18%	18,000
Inclusive Price	1,14,750	Inclusive Price	1,18,000
Credit	Nil	Credit – IGST	18,000
Net Cost to Buyer	1,14,750	Net Cost to Buyer	1,00,000



Impact of IGST – On B2C Supply of Goods (Inter-state)

Existing System		Proposed System	
Cost to Buyer	1,14,750	Cost to Buyer	1,00,000
Sellers margin 10%	11,475	Sellers margin (same as existing)	11,475
Sale Price	1,26,225	Sale Price	1,11,475
CST (Full rate 12.5%)	15,778	IGST (18%)	20,065
Credit	Nil	Credit – IGST	Nil
Net Cost to Buyer	1,42,003	Net Cost to Buyer	1,31,540
Net Revenue over supply chain	30,528	Net Revenue over supply chain	20,065



Impact of CGST/SGST – B2B Supply of Goods (Intra-state)

Existing System		Proposed System	
Sale Price	1,00,000	Sale Price	1,00,000
Excise Duty @ 12.5%	12,500	Excise Duty	Nil
VAT @ 12.5% on sale price + excise duty	14,062	CGST+SGST @ 18%	18,000
Inclusive Price	1,26,562	Inclusive Price	1,18,000
Credit	14,062	Credit – CGST+SGST	18,000
Net Cost to Buyer	1,12,500	Net Cost to Buyer	1,00,000



Impact of CGST/SGST – On B2C Supply of Goods (Intra-state)

Existing System		Proposed System	
Cost to Buyer	1,12,500	Cost to Buyer	1,00,000
Sellers margin 10%	11,250	Sellers margin (same as existing)	11,250
Sale Price	1,23,750	Sale Price	1,11,250
VAT (12.5%)	15,469	CGST+SGST (18%)	20,025
Credit	Nil	Credit – IGST	Nil
Net Cost to Buyer	1,39,219	Net Cost to Buyer	1,31,275
Net Revenue over supply chain	27,969	Net Revenue over supply chain	20,025



Impact of GST – B2B Supply of Services

Existing System		Proposed System	
Bill Amount	10,000	Bill Amount	10,000
Service tax @ 15%	1,500	IGST (assumed at a rate of 18%)	1,800
Inclusive price	11,500	Inclusive price	11,800
Credit	1,500	Credit	1,800
Net Cost in hand of buyer	10,000	Net Cost in hand of buyer	10,000



Impact of GST – B2C Supply of Services

Existing System		Proposed System	
Bill Amount	10,000	Bill Amount	10,000
Service tax @ 15%	1,500	IGST (assumed at a rate of 18%)	1,800
Inclusive price	11,500	Inclusive price	11,800
No credit in the hands of the end-customer		No credit in the hands of the end-customer	



Impact of GST – Works Contract [Project Companies]

Existing System		Proposed System	
Contract value	1,00,000	Contract value	1,00,000
Material value (70%)	70,000	SGST (assumed @ 9%)	9,000
VAT at 12*.5%	8,750	CGST (assumed @ 9%)	9,000
Service value (30%)	30,000		
Service tax at 15%	4,500		
Total cost to customer	1,13,250	Total cost to customer	1,18,000



Impact of GST – Trading of Goods

Existing System		Proposed System	
Purchase price (including ED +VAT)	1,28,813	Purchase price	1,18,000
VAT credit	16,313	SGST credit	9,000
Profit @ 10% of cost	11,250	CGST credit	9,000
Sale price	1,23,750	Profit [kept as same]	11,250
VAT @ 12.5%	15,469	Sale price	1,11,250
		SGST @ 9%	10,013
		CGST @ 9%	10,012
Price to customer	1,39,219	Price to customer	1,31,275

