

GS

CHARTERED ACCOUNTANTS

PARADIGM SHIFT IN BUSINESS

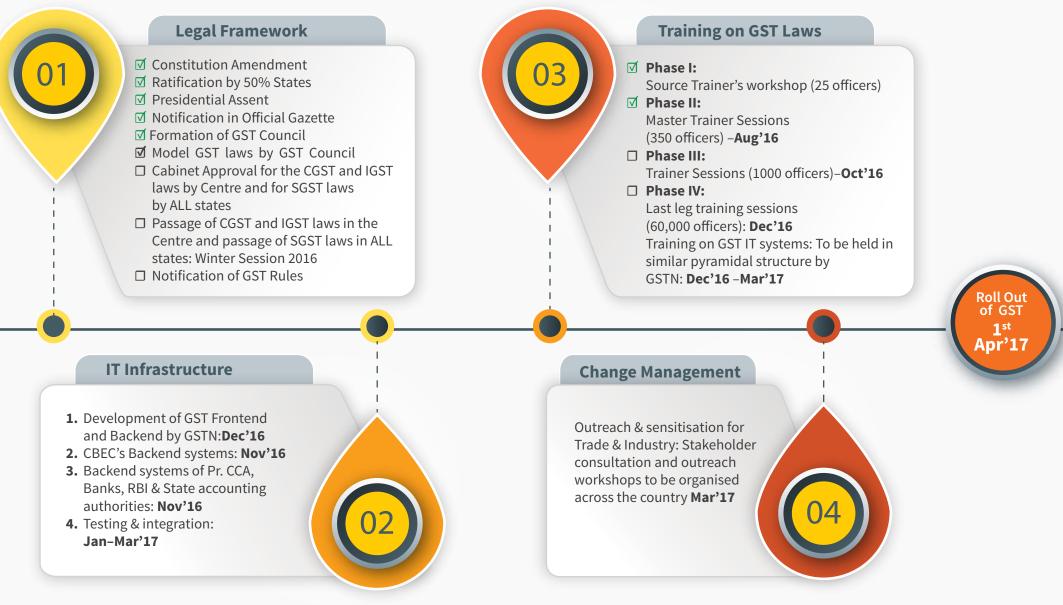
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Road Map for GST Implementation by Lawmakers

Constitution (122nd Amendment) Bill, 2014 Proposed Article 366(12A): "Goods & Services tax" means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. To be extended to crude, diesel, petrol, natural gas and ATF from a date to be notified on recommendation of the GST Council. Not yet extended to UT without Legislature.



Source: Revenue Secretary's presentation on next steps required about GST after passage of Constitution Amendment Bill (Dated 4th August, 2016)

What Are the Taxes Under GST?

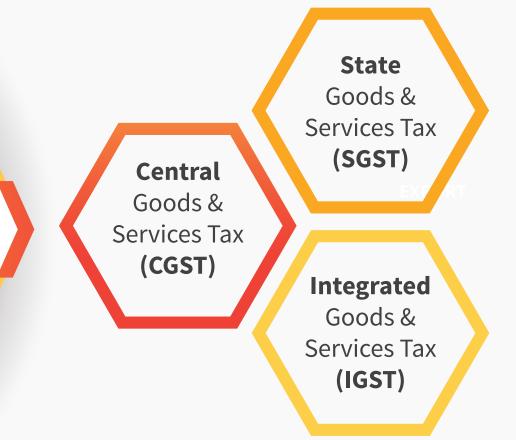
Central & State Taxes to be subsumed in GST

Central Taxes

- Excise Duty (ED)
- Central Sales Tax (CST)
- Additional Duties of Excise
- Additional Duties of Customs (CVD & SAD)
- Service Tax (ST)
- Surcharges & Cesses

State Taxes

- State VAT / Sales Tax
- Entertainment Tax
- Taxes on Lottery, Betting & Gambling
- Luxury Tax
- Octroi & Local Body Tax
- Purchase Tax / Entry Tax
- Surcharges & Cesses



What Is GST ? How Is It Different ??

Exemptions

or be converted

into refund

in Key

Concepts are ...

GST is...

- Comprehensive indirect tax on manufacture, sale and consumption of goods and services through out India.
- Value added tax levied and collected at each stage of sale or purchase of goods or services.
- GST-registered businesses to claim tax credit to the value of GST paid on purchase of goods or services as part of normal commercial activity.
- Exports would be zero-rated & imports would be levied the same taxes as domestic goods & services adhering to the destination principle.
- The Cabinet has set up a Special Purpose Vehicle (SPV) namely **Goods and Services Tax** Network (GSTN) to provide IT infrastructure and services to various stakeholders including the Centre and the States.

Uniformity of Tax Rates & Structures GST would make doing business in the country tax neutral, irrespective of choice of place of doing business Either be withdrawn Place of Supply Destination based Difference

Single **Uniform Tax** End of disputes in Goods & Services classification

> **Taxable Event - Supply** All forms of supply, made or agreed to be made, for a consideration, by a person in the course of furtherance of business Sale/ Transfer /Barter / Exchange /License / Rental / Lease / Disposal

Removal of Cascading Seamless tax-credits throughout the value-chain would ensure that there is minimal cascading oftaxes

> Transaction Value Price actually paid or payable for the supply of goods and/or services

Tax Credits Credit of CGST and SGST will be allowed for offset for against CGST and SGST respectively and IGST

End of Overlapping / **Double Tax** Restaurant services

- Sofware development vs. Manpower supply Intellectual Property
- Works Contract services
- Transfer and Leasing of Immovable Property

Multiplicity of Tax GST to subsume most current indirect taxes To be replaced by CGST, SGST & IGST

Time of Supply Goods - Date invoice or payment, whichever is earlier Services -Date of invoice or payment whichever is earlier

Two Pillars of GST – Time & Place of Supply ...

Time of Supply

Model Law – Section 12 (Goods) and Section 13 (Services) of the CGST Act Relevance – Liability to pay CGST/SGST shall arise at the time of supply as determined under provisions of CGST Act

Time of Supply will be earliest of following:

- i. Date of issuance of invoice or the last date on which he is required, under section 28, to issue the invoice with respect to the supply
- ii. Date of **receipt** of payment by supplier

Specific Scenarios

- i. **Continuous Supply of Goods**: Date of issuance of invoice or receipt of payment, whichever is earlier
- ii. **Continuous Supply of Services**: Earliest of due date of payment, payment date, invoice date or completion date
- iii. **Sale of Goods on Approval**: Earliest of when sale becomes known or 6 months from removal
- iv. **Sale of Services on Approval**: Earliest of when supply of services ceases or completion date

Place of Supply

(Destination instead of Origin)

Model Law – Section 5 (Goods) and Section 6 (Services) of the IGST Act Relevance – For determining the applicability of CGST/SGST Acts, it is imperative to refer IGST Act for determining the place of supply (Intra-state if place of supply of goods / services and location of recipient in same state and if not than Inter-state)

Place of Supply will be:

- Movable Goods: Movement of goods terminates for delivery
- ii. **Transfer of Documents of Title to the Goods**: Principle place of business of recipient
- iii. Immovable Goods: Location of goods
- iv. Installation / Assembly: Place of installation / assembly
- v. Services: Location of the service recipient

Specific Scenarios

- i. **Transportation of Goods, Mails or Couriers**: Location of service recipient
- ii. Services in Relation to Immovable Property: Location of immovable property
- iii. Insurance Services: Location of service recipient
- iv. **Financial Services (including Banking or Stock Broking)**: Location of the service receiver as per record of provider or location of the supplier of services

How the Tax Structure Will Change Under GST Regime??

	INPUT		OUTPUT Goods OR Services						
Import	Domestic (Intra/Inter-State)	Services	Manufacturing	Intra-State	Inter-State	Export			
Current regime of taxes:									
IMPORT	DOMESTIC	SERVICES	CREDIT / REFUND	INTRA-STATE	INTER-STATE	EXPORT			
1. BCD+ CESS 2. CVD + CESS 3. SAD	Intra-State 4. (ED+ CESS) + (VAT + CESS [#]) Inter-State 5. (ED+ CESS) + (CST) 6. Entry Tax	7. Service Tax+ SBC + KKC	 No Credit for BCD, CST and SBC Conditional Credit for ED, VAT, CVD, SAD, Service Tax, KKC and CESS 	Goods 8. ED + CESS 9. VAT + CESS Services 10. Service Tax + SBC + KKC	11. Excise Duty+ CESS12. CST	13. No Tax			
GST regime of taxes:									
1. BCD* + CESS* 2 & 3. (IGST)	4, 5 & 6. (CGST + SGST) / IGST	7. (CGST + SGST) /IGST	 Credit of CGST on inputs against CGST & IGST Credit of SGST on inputs against SGST & IGST Credit of IGST against IGST, CGST or SGST No Credit of CGST against SGST & vice versa 	8, 9 & 10. (CGST + SGST)	11 & 12 . IGST	13. No Tax			

Other Salient Features & Points to Ponder....

Points To Ponder...



The time of supply for specific transactions like sale on approval basis, will be when it becomes known that the supply has taken place or, 6 months from date of removal, whichever is earlier

No need to determine that the process amounts to manufacturing for levy of taxes. Hence, traders registered as importer, first / second stage dealer or nonregistered trader will be required to pay GST as well.

01

Salient Features



04

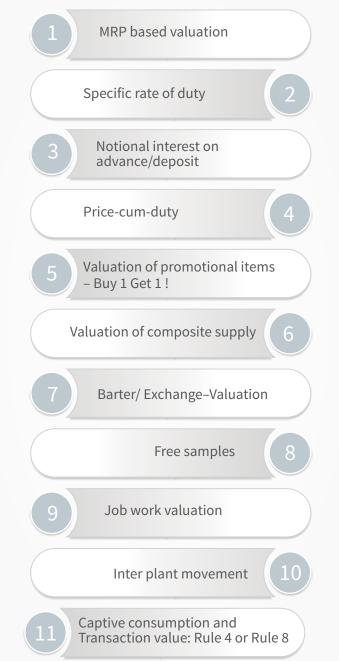
GST may be levied on the sale of newspapers & advertisements giving the government access to substantial incremental revenues.

02 All depots needs to be

registered as seemless credit is avaialble. Unlike in current scheme wherein excise registration is not taken if the credit is not required to be passed on.

03

Supply (without consideration) includes permanent transfer / disposal or temporary application of business assets, for personal use, by taxable person to any other person in course of furtherance of business.



What Will be the Impact of the Change??

GST's key impact areas are	"	GST will be the		
Business Process	Costing & Product Pricing	Structuring of Business Transactions	"Great step towards transformation…" – Prime Minister	of the provide the provided the provide
Supply Chain	Accounting	ERP Systems	"GST is expected to play a transformative role in the way our	y a "GST ole implementation our will make India
Consolidation of Operating Locations	Transition Strategy	Compliance	Arun Jaitey M o Ir	Chairman and Managing Director of Reliance ndustries Limited Mukesh Ambani
Existing Contracts with Stakeholders	Pending Disputes	Marketing Strategy	" Team RAMA marks implementation of GST as not just a change in tax regime, it's a transformation in the way business is conducted in India. As concurred by all stakeholders,	
			implementation o have a multi-fold i growth of busines	f GST is going to mpact on the

Few Instances of Critical Impact on Business ...

Business Strategy & Operations

Re-determination of the cost of products and products pricing due to change in the taxes and credits thereof

Re-alignment of the distribution strategy considering one tax based on destination rather than tax disparity in dispatch from different locations

Evalaution of procurement strategy

as Inter-State procurement could prove viable opening up opportunities to consolidate suppliers/vendors

Planning for adjustments in cash

flow & inventory costs as GST would be paid at sale/supply rather than at the time of removal of good

Transition & Compliances

Decision on transition strategy best suitable in terms of stock levels, credits or refunds status at the time of transition

Documentation to assume significance under self credit mechanism, hence plan for maintenance of invoices, credit registers, purchase records etc. at Centre / State level

Evaluation of compliance requirements and build required infrastruture, like registrations required under GST, returns to be filed for credits and alignment with government processes

Study of the existing business contracts and suitable changes as per the compliance requirements

Processes & IT Systems

No ERP systems offers a plug and play solution for GST, hence there is a need to find out the **impact areas and suitable changes in ERP**

Modification of business processes like billing local vis-à-vis inter-state and re-defining of underlying controls in the process

Changes in Chart of Accounts (COA)

to maintain specific CGST/ SGST / IGST ledgers and balances and re-defining accounting policies to take effect of the change in tax structure

Change in formats of invoices, debit/ credit notes, challans, orders, reports etc

What Steps Are Required to Transform from Existing to GST Regime??



How Team RAMA is Positioned ??

Team RAMA has been extensively working on the GST policy developments and studying it simpact on various aspects of business.

In this context, RAMA has put together a dedicated team of professionals to assist businesses transition to the GST regime in an integrated manner (BTG Team).

Gained in-depth understanding on indirect tax laws and its impact on various business transactions through specific reviews on indirect taxes and EXIM operations across industries.

Sound understanding of business strategy and associated risks along with the ability to challenge and strengthen the control environment.

Equipped with functional and technical knowledge of multiple ERPs (specifically Navision and AX, being Certified Implementation Partner of Microsoft) provides an edge in identifying and implementing changes required in ERP systems.

BTG Team's 4As approach being the key differentiator in helping to preserve value through a robust implementation methodology forthe impacted functions, backed by efficient programme and change management principles.

Composition of RAMA's Business Transformation to GST (BTG) Team



BTG Team's 4As Approach of Transition to GST...

Assess

- Assessing impacts on various business verticals
- Analyse 'what if' scenarios
- Revalidation post final law
- Decide Final operating model
- Discussing with senior
 management on strategic aspects
- Finalise plan for implementation

4As

Acquaint

- Accquanting business team on way forward
- Tax team on changes impacting compliance framework
- Business partners to explain the changes in the prices, discount structures and promotional schemes

Adopt

- Adopting target operating model & enhancing processes
- Testing IT systems, updating masters and migration
- Implementing processes to manage impact on cash flow
- Navigate through cut off/transitional issues like pre-GST stock of goods and pre-GST credit.
- Revising tax compliance set up
- Evaluating pending litigations
- and validity in the pre-GST

ANNOUNCE

- Announcing the redefined business process
- Identifying the training and skill enhancement requirements
- Conduction training and GST Implementation Programme

How Team RAMA Can Assist in the Process of Transformation ??

Impact Assessment & Analysis (Dip-stick or Detailed)

- 1. Impact on business functions & operations
- 2. Quantification of impact on pricing, incentives, profitability, top- line and cash flows etc.
- 3. Impact of GST on current value chain elements
- 4. Proposing realignment of business model to help better capture the additional value (if any)
- 5. Reviewing ERP system for compatibility
- 6. Revalidating impact after passing GST legislation
- 7. Developing a complete Imapct Assessment and Suggested Implementation Plan

Implementation (People, Process & Systems)

- 1. Based on the Impact Analysis, execution of plans in the impacted areas
- 2. Conducting Changes in Existing Systems (ERP) & Processes
- 3. Representation Assistance (through consultants)
- 4. Training Customised to Requirements
- 5. Implementation & Post Implementation Assistance
- 6. Compliance Assistance /Complete Outsourcing
- 7. Program and Stakeholder Management

End-to-end Assistance in Transition to GST Regime

GST an important reform for economy, has impact on varied aspects of the business operations, like, pricing, supply chain optimization, IT, accounting, & tax compliance systems. In past Indirect taxes in India have driven businesses to restructure supply chain and systems owing to multiplicity of taxes and costs. With GST seeing the light of the day, the way India does business will change, forever. 99



CA Narayan R. Pasari -Independent Director, {Hon. Advisor to RAMA}



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Ram Agarwal & Associates (RAMA), a Chartered Accountant firm, having its Head Office at Mumbai, carries a quality professional experience of varied services. Partners, Directors and Senior Professionals have in-depth combined experience of more than 50 years in delivering high quality professional services acknowledged by the clients.

RAMA offers services in the areas of Internal Audits, Management Audits, Business Process Review, Specific Reviews on Indirects Taxes and EXIM Operations, SOP, ICFR, Fixed Assets Review, Production Facility – Efficiency Audits, Audit of Retail Locations, Pre-payment Audits and Corporate Fraud Investigations including Forensic Audits and Whistle Blower Management.

RAMA also works on "Greenfield" ERP Implementations, Corporate Finance & Business Advisory.

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