

DEWAN P.N. CHOPRA & Co.



DPNC BULLETIN: GEARING UP FOR GST

GEARING UP FOR TRANSITION TO GST

After being stuck in the corridors of power and countering around sixteen years of uncertainty, GST is finally going to see the light of the day.

GST, which is being pitched as the biggest tax reform since independence, will bring sweeping changes to a lot of business practices that the industry has comfortably settled into.

The time has come for all businesses to consider the impact of GST- a mammoth change which is knocking at their doors and start to prepare for the rollout.

It is very important on the part of the taxpayers to keep a check on their readiness for a smooth transition into GST regime along with ensuring that their businesses are not hampered. With GST likely to be implemented w.e.f July 1st, 2017 there is only little time left to analyze, plan, implement and prepare for the change that is going to take place, once GST is implemented.

GST will have a far reaching impact on virtually all aspects of operations supply chain processes including contractual agreements, pricing, supply chain model, information technology, human resource, tax compliances.

Complete awareness and proactive preparation is of paramount importance in handling this huge tax reform effectively. In Malaysia during implementation of GST, it was experienced that the rollout was far from seamless because of lack of awareness and preparedness; it led to business disruption, operational issues and delayed compliance for many.

One of the reasons for lack of preparedness was that GST had long been discussed and repeatedly delayed just as in the case of India. Because of this the businesses deferred taking necessary actions until it was too late.

In fact the need for preparedness may be even greater in India than in Malaysia because Indian GST will be unique and far more complex, with a dual GST regime, with two tax administrative authorities- the Centre and the State- which have the powers to levy tax on each transaction concurrently.

Some of the key features of the GST that need mention:

1. GST will bring a larger portion of the unorganized sector into the mainstream which will change the business dynamics for several industry segments.
2. Under GST the threshold limit and the exemption list would be significantly pruned. So many goods/services outside the tax ambit under the present regime could be subject to GST.
3. With the concept of single/separate registration for each state, there is likely to be an increase in tax compliance obligations. To give an indication, the number of returns would go up to around 37 in a year for a single registration.
4. The matching concept under GST where the taxpayers would have to reconcile their procurement with the sales of their vendors and supply of goods and services with their purchasers on a monthly basis in order to avoid denial of input tax credit, could be cumbersome.
5. Although credit of GST paid on inputs at every stage of value addition would be available for the discharge of GST liability on the output, separate credit pools for all three different types of GST – CGST / SGST / IGST would have to be maintained for each state.

6. The transitional provisions under the GST law entail a list of credits that can be carried forward into the GST regime, on fulfillment of certain conditions.

The need of the hour is to gear up and initiate the process of identifying the potential issues that might emerge while transitioning to GST.

Few issues that need to be taken care of immediately:

1. Vendors' consolidation and communication
2. Pricing policies and promotional schemes
3. Change in working capital requirements
4. Contractual Arrangements
5. Inter-unit transfer of finished goods
6. Optimization of supply chain
7. Technology refresh
8. Compliances

It is obvious from the above that the businesses that are proactive in preparing and planning in the GST early can gain a real competitive advantage. Early planning and timely execution is necessary to leverage this advantage. It will help avoid disruption along with being 100% compliant of all legal and procedural requirements under the new law, and manage opportunities effectively as the GST approaches.

GST rollout across the country will improve ease of doing business and encourage industries to expand their operations across India, as it would break state barriers. GST would have a positive impact on the economy as the prices will come down because of reduction in cascading effect of taxes and will bring in a simplified and uniform tax structure across the country.

GST implementation looks certain during July 2017. The time is now to comprehend and gear up for this huge change coming our way and to take full advantage of this transition period.

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