14th June 2017

BE GST READY

Introduction

The major tax reform in the country 'Goods and Services Tax (GST)' is soon coming to reality. The Government of India has announced 1st July 2017 as the date for implementation of GST in India and this being one of the biggest tax reforms in India history needs a lot of preparation at the end of all who have opted for migration from current indirect taxes to GST.

This update contains a brief about action points to be undertaken to be GST ready.

Registration

All entities who are registered under any one or more of the existing indirect tax laws, are required to migrate themselves to GST. In case of entities working from more than one state (who have VAT registrations in different states) and who want to continue their business from those states, have to migrate/register in their respective states.

Entities based in one state can do business (buying/selling) with other states, with one registration in that state only. The entities, who have taken centralised registration under Service Tax law, would under GST be required to take separate registrations in all the states they are working from.

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Stocks

Stocks will play a very important role under GST and also during transition for taking input credit on the stocks held on 30th June 2017, therefore, it is very important to reconcile the actual stocks with book stock. Needless to say that to have the final stock details as on 30th June 2017, it is imperative that books of accounts along with stock of 31st March 2017 is also final.

Identify stocks which were purchased against an excisable invoice and which were purchased against an only VAT invoice. This would help in calculating carried forward input credit. Identify stock which is older than 12 months as on 30th June 2017, and try to sell it before 30th June 2017, as they would not be eligible for input tax credit of duties like central excise.

VAT Returns

It is very important to file all your VAT returns and make sure that all mismatched amounts are reconciled and removed and wherever returns need to be revised, they are revised before 30th June 2017

Central Forms

There is a provision in transition rules which requires all registered persons to declare the details of pending central forms, for the reason that every State GST law under proviso to section 140(1), will not allow to carry forward the input tax credit on stock held on 30th June 2017, to the extent of amount due towards pending central forms. In nutshell it means that if you have a large amount of carried forward credit, you either collect and submit as many central forms as possible or be prepared to apply for refund under existing VAT laws,

GSTIN (GST Identification Number)

It is important that not only you share your GSTIN number with all your suppliers/vendors, but at the same time you should get the GSTIN numbers of your buyers, especially in case of B2B transactions.

Identify HSN and SAC

Identify HSN (Harmonized System Nomenclature) for goods and SAC (Service Accounting Codes) for Services. It is important to identify the HSN/SAC of goods or services or both; an entity deals in, because a wrong classification could result in financial impact.

Invoicing and Accounting Software

Given the fact that in GST, monthly returns would be filed and item-wise detail of every invoice is to be uploaded in form GSTR 1, it becomes imperative that the invoices are generated through an approved/GST compliant software which has the facility to upload returns in the GSTN (GST Network). At the same time it is important that your accountants are trained to handle GST invoicing and thereafter filing of returns and managing accounts and records under GST.

Transporters

The GST Law will replace all types of Way Bills that are currently required under various VAT laws, to be carried by a transporter, and in place has introduced the concept of E-way Bills. Although the primary responsibility of filing an E-way bill is of a Supplier (seller) or a recipient (Buyer), the secondary responsibility has been fixed with transporter. Therefore, it is important that your transporter is well versed with these procedures and has the logistics to comply with these procedures.

Purchase of Capital Goods

Given that under various VAT acts, the input credit on various capital goods purchased against C form is not allowed and for locally purchased capital goods is allowed in a period ranging 2-5 years, and under GST, the input credit on capital goods can be availed in one go, it is recommended to postpone the purchase of capital goods to GST regime.

Existing/New Purchase Orders/Agreements

There are some very interesting concepts being introduced through various provisions under GST Law, which would carry a direct impact on working capital and on the way business is done today. Therefore, it is important to understand the impact of various GST provisions on existing and ongoing projects/agreements/supplies and make necessary changes/decisions to minimise the impact. All future agreements should be GST compliant.

Conclusion

GST is going to be a major indirect tax reform for Indian economy reducing the cascading effect of tax on the cost of goods and services. It would impact the Tax Structure, Tax Incidence, Tax Computation, Tax Payment, Compliance, Credit Utilization and Reporting leading to a complete overhaul of the current indirect tax system. Be ready to embrace it, though there may be initial hiccups, yet in the longer run, would beneficial for all.

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