



India GST Impact Assessment

The proposed India Goods and Services Tax (GST) model is a fundamental change to India's existing indirect tax system, and it entails inevitable changes to a business's tax rules and drivers in its enterprise resource planning (ERP) system and existing tax compliance framework. As the new model subsumes many of the existing taxes and levies (e.g., excise duty), meticulous planning is required for removing and updating the applicable tax determination rules in the ERP system. Businesses will also need to actively manage the transitional period for any open transactions, created under the previous tax regime rules, during the system go-live with the new regime.

Salient Features of the Proposed GST Model

The Indian GST bill sets out a comprehensive indirect tax system. The key features of the proposed model have been summarized below:

- ▶ The GST has two main components:
 - One levied by the central government, known as Central GST (CGST).
 - Other levied by the state government, known as State GST (SGST).
- ▶ The CGST and the SGST would be applicable to all goods and services made for a consideration except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.
- ▶ Interstate transactions of goods and services attract the Interstate GST (IGST), which is levied by the central government. IGST is also applicable to imports of goods or services. The IGST rate is expected to be a rate comprised of CGST + SGST.
- ▶ The proposed model subsumes many of the existing central and state taxes and provides a relief to the industry through a comprehensive input tax and service tax set-off.
- ▶ The proposed rate structure will include a lower rate for necessary items, a standard rate for goods in general, and a list of exempted items. The proposal also includes a special low rate for precious metals and higher rate for luxury goods.
- ▶ Taxes paid against the CGST shall be allowed to be taken as an input tax credit against the payment of CGST first and then can be used for payment of the IGST liability. The same principle will be applicable for the SGST.
- ▶ Cross utilisation of the input tax credit between CGST and SGST would, in general, not be allowed.
- ▶ The taxable entity would need to submit periodical tax returns to both the CGST and to the concerned SGST authorities.



AARK is an alliance member firm of Ryan in India. AARK's deep understanding of hotly contested tax issues in the field of indirect taxes in India helps drive substantial added value to clients.

The Ryan AARK Approach

Our approach combines AARK's local indirect tax expertise with Ryan's core tax technology skillsets of global requirements and deployments. We handle significant local and global projects for some of the largest companies in the world. Our approach to assessing the impact of the adoption of GST in India leverages all our experience with the different tax technology solutions available in the marketplace and marries that with our tried and tested deployment methodology to address two key areas:

1. Understand tax and business requirements

We assess the current business requirements against the impact of the proposed GST model across all business processes, as well as review the existing system design and tax compliance framework. Working in partnership with all the relevant stakeholders from the tax department to the different business units and the IT function, we efficiently and effectively document all new requirements for changes within our client's IT landscape and associated business processes.

2. Facilitate new changes in current IT landscape or implement new solutions

Working with our client stakeholders, we identify the optimal solution for a business to meet the new legislative requirements. This can happen in several ways:

- **Delivering a solution within your existing native ERP landscape**

The existing tax requirements have required extensive localization, custom solutions, as well as bolt-on solutions to be built. Businesses will need to re-evaluate these solutions and, in many cases, either undo them or modify them to satisfy the new requirements.

- **Third-party bolt-on solutions (e.g., tax engines)**

Your business may already utilize a tax engine within its IT landscape for other countries or regions. Extending the use of that tax engine to meet the new tax requirements may be a quick solution, particularly if the necessary interfaces with the ERP system exist.

- **Reporting solutions**

There will be a shift in the type of data to be captured as well as potential business processes to facilitate the new reporting and compliance obligations on the online GSTN Portal. Businesses need to evaluate capabilities of the existing system (and proposed changes of Indian GST) to determine suitability of GST reporting and filing. This includes assisting with any modification to produce required reports.

- **Reconciliation and data analytics (iTAC)**

New reporting gives rise to new data sources—most notably the GSTR2, which has the government's record of purchases that should be reconciled against your business's own record of purchases prior to filing. Where differences between sources arise, adjustments and corresponding corrections will need to be tracked. New reporting also gives rise to new testing requirements to validate transactions—at a transactional level and even at a trend level.

Once the optimal solution has been identified, we can assist in drawing up a detailed implementation plan and executing against that plan to deliver the solution to meet your needs. The Ryan Tax Technology team is comprised of seasoned industry pioneers in ERP tax automation. All senior members of the team have worked on several large-scale ERP implementation projects as well as tax-only implementation projects in multiple functional and technical capacities, from project preparation, blueprint, realization, final preparation, and go-live to post-implementation support.

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Ryan offers and delivers unparalleled value:

Our proprietary methodology and toolsets bring additional benefits as we help our clients make the most of their budgets. Quite simply, our approach means we can do more for less. Our combined team is multidisciplinary, and a key advantage is that we are able to deploy our "accelerators" (our database of learning, templates and data from other implementation projects), which help us leverage prior experience that translates to greater value at lower cost.

Award-Winning Tax Services

For additional information

United States

1.855.RYAN.TAX

ryan.com

United Kingdom

+44 (0) 20 7257 8510

ryan.com/unitedkingdom

India

+91 124 4140022

akountability.com

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