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Goods and Service Tax



Goods and Service Tax (GST) is the largest indirect tax reform since independence.

GST is set to change the complete indirect tax landscape by simplifying the tax structure, easing compliances and digitisation.

Introduction of GST will collapse various existing indirect tax levies at the Central and State level into a Dual GST comprising of Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST).

To know more about GST, please get in touch with :

Our Key National Contacts



Amit Kumar Sarkar
amit.sarkar@in.gt.com
+91 9820505683



Krishan Arora
krishan.arora@in.gt.com
+91 9818341530

Our Subject Matter Experts

Biren Vyas
Biren.Vyas@IN.GT.COM

Raman N.V.
Raman.NV@IN.GT.COM

Rahul Aggarwal
Rahul.Aggarwal@IN.GT.COM



About Goods and Service Tax

What is Goods and Service Tax ('GST')?

- A single unified tax on both 'Goods & Services'
- Levied only on 'value added' to goods and services at 'each stage' in the economic chain of supply
- Broad based 'consumption tax' on supply of goods and services
- A tax with an objective to 'eliminate tax cascades'

Why GST?

- Seamless availability of credits across goods & services
- Integration of prevailing indirect taxes to ensure uniformity
- Preventing cascading of taxes
- Simplified compliances
- Availability of credit even for inter-state procurements
- Harmonisation of Centre and State taxes to achieve common market

Features of the proposed Indian GST model

- India has adopted a unique model for GST as replacement of its existing multi-layered indirect tax structure
- Dual-GST proposed, with Centre & States respectively entitled to levy tax on "supply of goods or services or both" at the same time, on the same transaction, and for the same value
- Dual-GST structure as proposed which would essentially be a compromise formula is likely to see further iterations in the near future after introducing the basic structure
- Central-GST (CGST) and State-GST (SGST) would be administered under separate legislations, with no cross-credits available amongst these levies
- Integrated-GST (IGST) levied under separate legislation and would be fungible (viz cross credits available with CGST and SGST)
- Certain specified supplies (petroleum, liquor) and sectors (real estate, small businesses) are left out of GST at the moment



About Goods and Service Tax

GST Coverage

Particulars	At the Central Level	At State Level
What is covered?	<ul style="list-style-type: none"> ✓ Additional customs duties (CVD and SAD) ✓ Central Excise Duty ✓ Service Tax ✓ Special Excise duty (on medical and toiletries preparation) ✓ Various auxiliary cesses & levies (such as R&D Cess) 	<ul style="list-style-type: none"> ✓ State-VAT ✓ Central Sales Tax ✓ Entry Tax ✓ Luxury Tax ✓ Entertainment Tax ✓ Purchase Tax ✓ Taxes on Lotteries and Gambling
What is not covered?	<ul style="list-style-type: none"> ✗ Basic Customs duty ✗ Cesses on mining for oil, coal, etc. 	<ul style="list-style-type: none"> ✗ Stamp duty and property tax ✗ Any municipal levy through delegated legislation ✗ Electricity duty ✗ Other specified levies

GST - Impact on business functions

- **Transition**
 - Evaluate possibility of re-designing of business model, distribution net-work and procurement pattern, arrangements/ contracts with third party like vendors / customers / governments
 - Evaluation of eligibility and transferability of existing tax credits in the new regime
 - Evaluation of the impact on the multi-year contractual arrangements in the new regime
- **Aligning with the new tax regime**
 - Redefine the supply chain based on the “destination based” taxation system
 - Significant changes in the IT and accounting systems including revision of masters, accounting for changes in the output tax computation and tax credit modules
 - Re-work tax efficient business model due to widening of tax base and withdrawal of various exemption
 - Re-designing organisation structure on account of possibility of subsuming multiple indirect tax
 - Revision of the pricing policies on account of the changes in the tax rates, credit availability and eligibility of exemptions and tax incentives
 - Revision of cash flow estimates / Working Capital Management structure on account of increase in tax rates
- **Compliances**
 - Status, responsibility, ease of doing routine compliances going forward



Preparing for GST

Positions	Processes	Systems	Compliances
<ul style="list-style-type: none"> Analyse transition rules on credits, taxability of transactions, etc Identify possible areas where SGST credits are accumulated Impact of rate change on margins, cash flows, etc Unbundling "mixed" supplies of goods and services 	<ul style="list-style-type: none"> Need for re-negotiations with certain vendors/ clients based on GST impact study Invoicing norms likely to change under GST Manner of claiming and utilizing tax credits may be amalgam of State-VAT and CENVAT rules Valuation norms to identify taxable value likely to change Mapping multi-locational services 	<ul style="list-style-type: none"> Map transaction lines into dual-GST charges (for purchases & sales) Data fields to be identified and captured for return preparation, credit claims, liability computations, etc Reconciliation of GST credits and liabilities with Statutory books Auto-matching of SGST credits and IGST credits to perform real-time calculations of GST liabilities 	<ul style="list-style-type: none"> Online payments & returns of CGST, IGST and respective State-SGST Registrations under respective GST Rules (Centre and States) Gearing up for periodic Audits, reviews and other assessment procedures at Central and State level Dual-reporting likely for certain transactions Transition compliances

The Approach..

Broad Impact Assessment	What-if/ Scenario analysis	Implementation Assistance	Transition Management
<ul style="list-style-type: none"> Develop specific "concept level" impact areas Sift impact areas into areas of opportunity and threats Identify whether Representation to GST policymakers to minimize impact areas is required Identify manner in which opportunities could be improved 	<ul style="list-style-type: none"> Perform simulated calculations of potential GST impact on business (on "as-is" basis) Identify possible Scenarios under which Opportunities/ Issues could be maximised or minimised, as the case may be Short-list realistic Scenarios that could be implemented for GST preparedness 	<ul style="list-style-type: none"> Custom-design changes in ERP, Internal Controls, Accounting Assist in making relevant changes in Supply Chain Review and suggest changes in documentation, processes and policies Plot manner in which the GST credits and liabilities would be auto-picked for compliances 	<ul style="list-style-type: none"> GST registrations in all jurisdictions where required Assistance in meeting first cycle of GST compliances (invoice formats, returns, etc) Assistance in transitioning tax credits and liabilities from legacy IDT systems to GST systems using Transition Rules Address special needs such as suggestions on State incentives, etc

Contact us

To know more about Grant Thornton in India, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office
Outer Circle
L 41 Connaught
Circus
New Delhi 110001
T +91 11 4278 7070

AHMEDABAD

BSQUARE Managed
Offices,7th Floor,
Shree Krishna Centre
Nr. Mithakali Six
Roads Navrangpura
Ahmedabad 380009
T +91 76000 01620

BENGALURU

"Wings", 1st Floor
16/1 Cambridge Road
Ulsoor
Bengaluru 560008
T +91 80 4243 0700

CHANDIGARH

B-406A, 4th Floor
L&T Elante Office
Building,Industrial
Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI

Arihant Nitco Park, 6th
Floor,No.90, Dr.
Radhakrishnan Salai
Mylapore
Chennai 600004
T +91 44 4294 0000

GURGAON

21st Floor, DLF
Square
Jacaranda Marg
DLF Phase II
Gurgaon 122002
T +91 124 462 8000

HYDERABAD

7th Floor, Block III
White House
Kundan Bagh,
Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI

7th Floor, Modayil
Centre point
Warriam road junction
M.G.Road
Kochi 682016
T +91 484 406 4541

KOLKATA

10C Hungerford
Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI

16th Floor, Tower II
Indiabulls Finance
Centre, SB Marg,
Elphinstone (W)
Mumbai 400013
T +91 22 6626 2600

MUMBAI

9th Floor, Classic
Pentagon,Nr Bisleri
factory, Western
Express Highway
Andheri (E)
Mumbai 400099
T +91 22 6176 7800

NOIDA

Plot No. 19A, 7th Floor
Sector – 16A
Noida 201301
T +91 120 7109 001

PUNE

401 Century Arcade
Narangi Baug Road
Off Boat Club Road
Pune 411001
T +91 20 4105 7000

For more information or for any queries, write to us at contact@in.gt.com



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