GST – Changes in Information Technology Environment

Conference on GST

November 11, 2015

WIRC – ICAI, IDTC – ICAI, J B Nagar CPE Study Circle
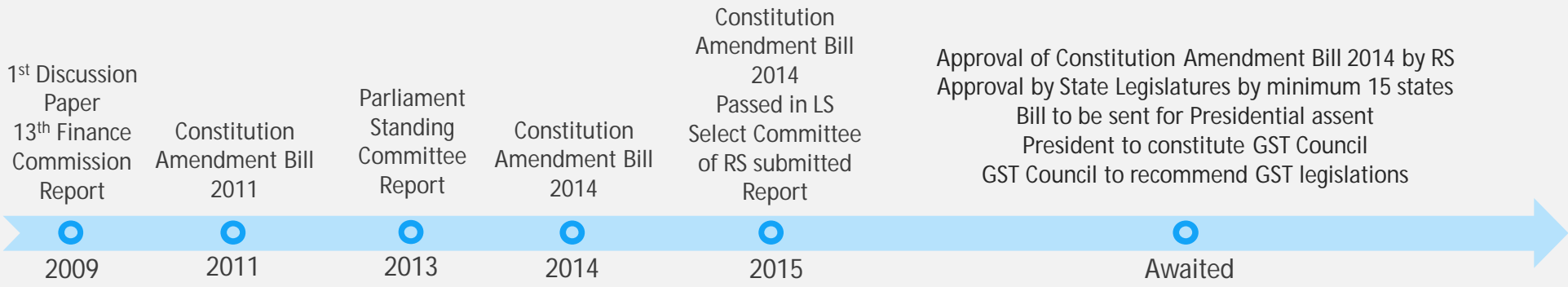
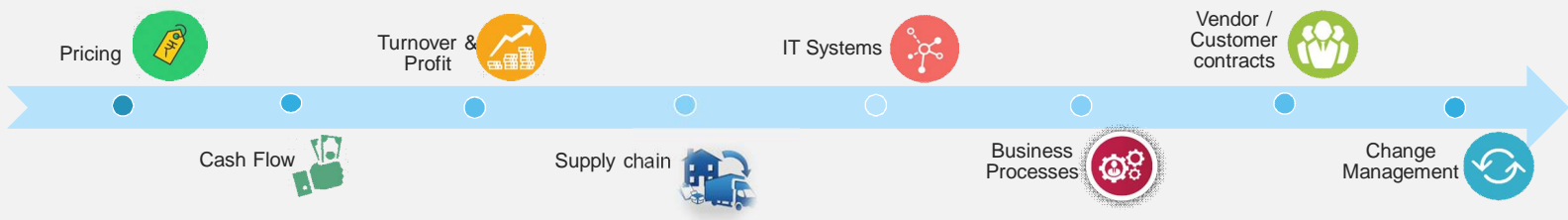**CA Alok Jajodia**

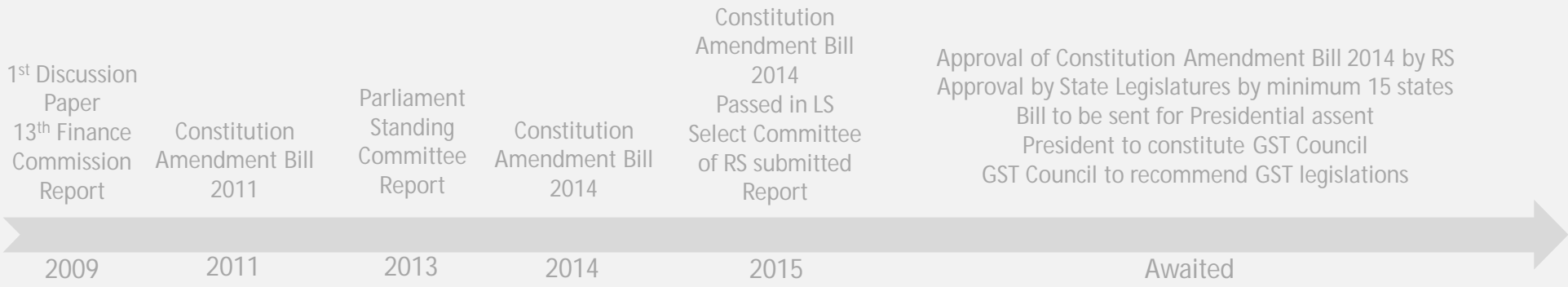- GSTN
- GST – Technology Impact & Enablers
- Key Take Aways

GST – Roadmap & Impacts

2009 — 1st Discussion Paper 13th Finance Commission Report

2011 — Constitution Amendment Bill 2011

2013 — Parliament Standing Committee Report

2014 — Constitution Amendment Bill 2014

2015 — Constitution Amendment Bill 2014 Passed in LS Select Committee of RS submitted Report

Awaited — Approval of Constitution Amendment Bill 2014 by RS
Approval by State Legislatures by minimum 15 states
Bill to be sent for Presidential assent
President to constitute GST Council
GST Council to recommend GST legislations

IMPACTS

Pricing

Cash Flow

Turnover & Profit

Supply chain

IT Systems

Business Processes

Vendor / Customer contracts

Change Management

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GST – Roadmap & Impacts

2009	2011	2013	2014	2015	Awaited
1st Discussion Paper 13th Finance Commission Report	Constitution Amendment Bill 2011	Parliament Standing Committee Report	Constitution Amendment Bill 2014	Constitution Amendment Bill 2014 Passed in LS Select Committee of RS submitted Report	Approval of Constitution Amendment Bill 2014 by RS Approval by State Legislatures by minimum 15 states Bill to be sent for Presidential assent President to constitute GST Council GST Council to recommend GST legislations

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GSTN

ECoSFM - The IT Strategy for GST

Desirable features of Goods & Service Tax Network (GSTN)

Figure 1: Desirable features of GSTN

Stake-holders

Figure 2: Stakeholders

Work-flows

Figure 3: Workflows

*Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

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Slide 6

GSTN - Architecture

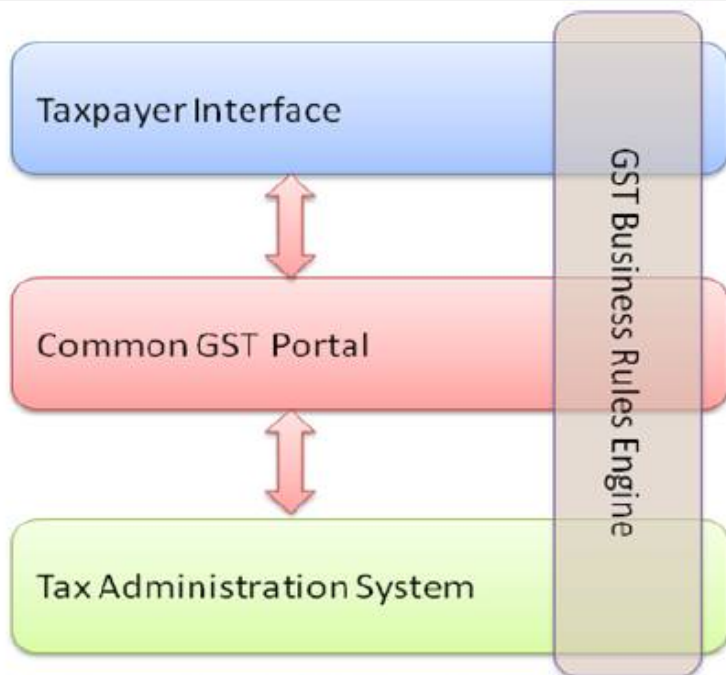The solution architecture, the role of the common GST portal, and its connections with other systems
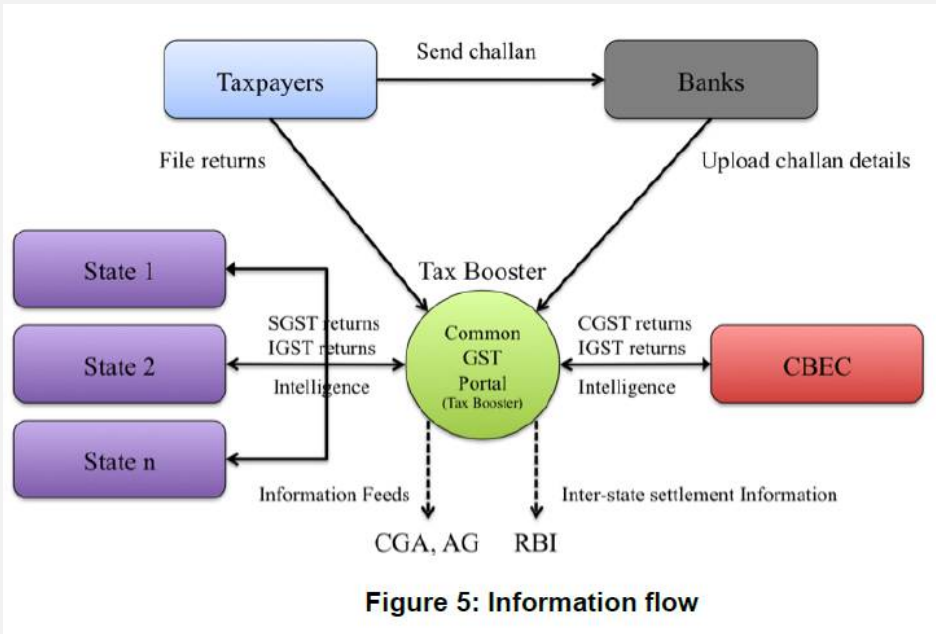

Figure 4: Solution Architecture

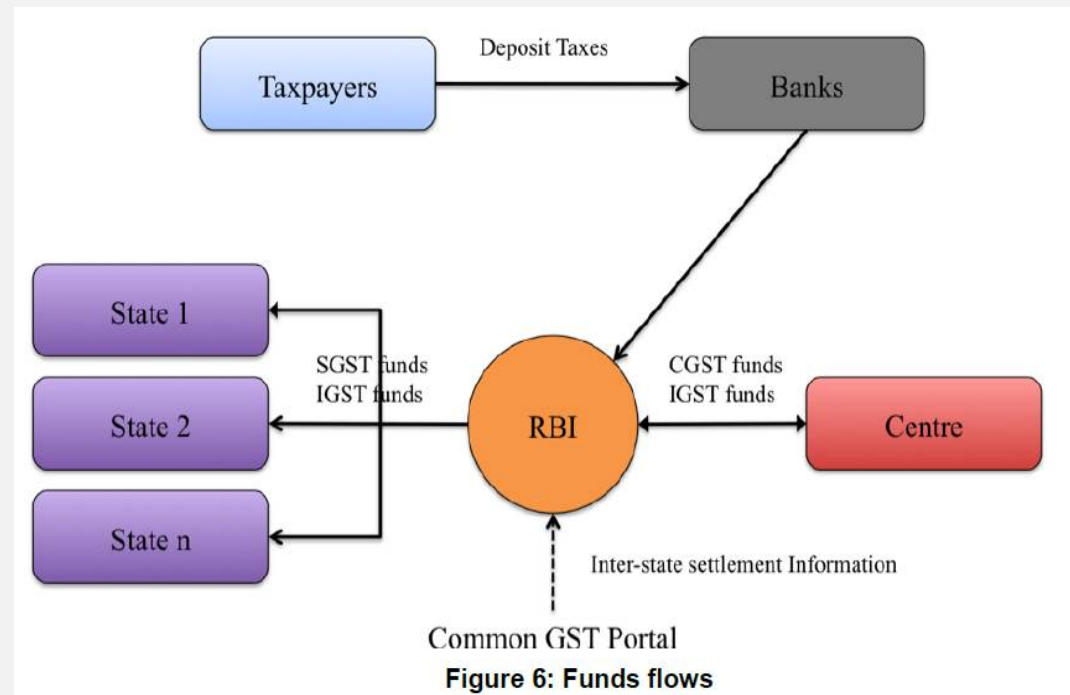Given the need for a common GST portal, the basic solution architecture is as follows:

1. Taxpayer files through a standardized taxpayer interface.
2. The taxpayer and tax authority systems are connected with a Common GST Portal, operated by GSTN.
3. Policy decisions are captured in GST Business Rules Engine that defines the tax rates, revenue sharing rules, and exceptions for all parties.
4. States and CBEC implement tax administration systems for assessments, audits, and enforcement within their domain. This is desirable but not a pre-condition since the GSTN can provide support for states that do not have the necessary IT systems in place.

*Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

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GSTN – Process Flows

Figure 5: Information flow

State fund flows directly from taxpayer to states, Centre fund flows directly from taxpayer to centre

Figure 6: Funds flows

- Information flows unmodified through common GST portal to states and CBEC
- Common GST portal will also integrate with systems of CBDT, MCA,ICES, etc.

Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

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GSTN – Data Components

Tax computation and accounting

Figure 7: Levels of granularity for returns

Implementation plan

Owner	Component
Taxpayer	User registration (PAN-based) File returns Tax payments
GSTN	User registration (PAN-based) Acceptance and Consolidation of returns Challan reconciliation Matching of Input Tax Credit Dashboard and MIS Helpdesk and facilitation centres
Tax Authorities	Assessment, audits, and enforcement Refunds Dispute resolution Helpdesk and facilitation centres
Banks and RBI	Tax payments and reconciliation
Accounting Authorities	Reconciliation

Figure 9: Owners of various components

- There has been some concern around reconciliation of ITC at invoice-level detail due to the sheer volume of data. However, this scale is no different than what organizations such as NSE, NSDL, RBI, and banks handle on a daily basis.
- Experience at states that have implemented this also shows that match quality is low initially, but improves significantly over time.

Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

GSTN – Tax Booster

Type of fraud	Common GST Portal: Intelligence based deterrence
Fraudulent bills	Matching
Improper Input Tax Credit	Matching
Fraudulent use of 'exempt' rules	Electronic returns
False payment proofs	Electronic challans
Unrecorded sales	Data mining
Misuse of composition method	Data mining
Wrongful application of lower tax	Data mining
Under-invoicing	Data mining
Non-existent dealers	Data mining

Figure 8: Types of frauds

- As taxpayers start filing invoice level returns, the common GST portal can start analysing the data for tax evasion and fraud.
- Common formats for returns and payments, combined with electronic filing and electronic payments, and a standardized PAN-based registration makes the data consistent, and amenable to mining.
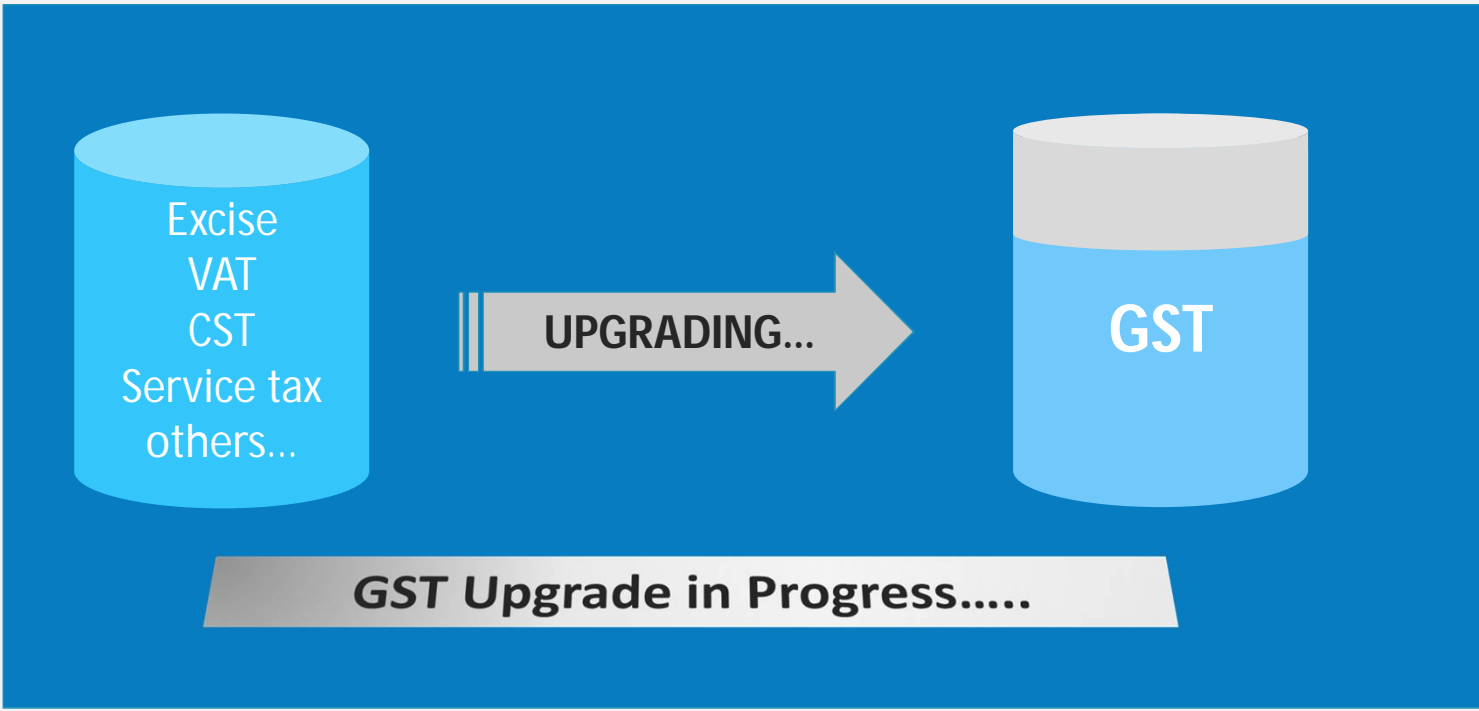
*Source: Empowered Group on IT Infrastructure on GST headed by Shri Nandan Nilekani

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GST v1.0 – Upgrade in progress...

Joint Committee Reports on business processes:
- ✓ *Registration*
- ✓ *Refunds*
- ✓ *Payments*
- ✓ *Returns*

Excise
VAT
CST
Service tax
others...

UPGRADING...

GST

GST Upgrade in Progress.....

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GST v1.0 – Upgrade in progress...

Excise
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others...

UPGRADING...

GST

GST Upgrade in Progress.....

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GST – What's changing

Joint Committee Reports on business processes:

Registration

- PAN based registration
- Per State registration - Different verticals of one business may obtain separate registration
- Existing Taxpayers – Transition system for migration
- Registration for each premises in a State not required
- Addition of place of business under each registration allowed
- Transfer of credit to another unit in a different State not allowed

Returns

- Unified return form for all States/ One Return for CGST, SGST & IGST
- All returns to be electronic
- Return expected to be Monthly (Quarterly for compounding dealers)/ Annual
- All details of sale (invoice wise) to be submitted, purchase details to be populated from sales of counterparty dealers
- State specific return as State unit is an independent unit
- IGST assessment by State where return is filed

Payments

- Standardized single challan for CGST, SGST and IGST
- Different accounting codes for various types of transactions
- Mode of payment of tax can be online or offline (OTC)
- Tax to be paid prior to filing GST return
- Tax to be paid wherever supply takes place
- SGST to go automatically to the State of taxpayer as per registration
- Frequency of tax payment as per return

Refunds

- CGST/ SGST/ IGST credit can be utilized for offsetting liability against same heads in that order
- CGST/ SGST credit available after offsetting respective liability to offset IGST liability
- Credit of CGST cannot be used to offset SGST liability vice-versa
- Credit of IGST available after offsetting IGST liability to offset CGST/ SGST liability (in order)
- IGST on Imports: as per return (not like customs duty)

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What Next?

Gear up

Set up

Transit to Live

GST 360

Assess Changes and Evaluate Impact

Execution and Implementation

Go Live on the GST

Track, Evaluate & Implement post implementation changes

TIME

TASK 1

TASK 2

TASK 3

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