

PRECAUTIONS IN GST IMPLEMENTATION

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PRELIMINARY

- Check all migrations – No deemed registration
- No migration for Liquor dealer registered under VAT
- Security deposit under VAT
- Check whether all returns have been filed

PROCUREMENT ANALYSIS

- Procurements made for tax advantage need to be relooked

Particulars	Impact on purchase price
Passing of GST benefits – Anti profiteering	Reduction in purchase cost
Purchases from composite dealers	Increase in purchase cost
Reversal of VAT credit – Inter state stock transfers	Reduction in purchase cost

- Change in EOQ levels, lead times, carrying costs etc
- Revision in purchase budgets

PROCUREMENT ANALYSIS

- Procurements made for tax advantage need to be relooked
- Change in EOQ levels, lead times, carrying costs etc
- Revision in purchase budgets
- Timing of purchases to be re-visited especially during transitional phase
- Vendor masters updation, Tax master updation
- Sales returns - sales made under existing law

GST IMPACT ANALYSIS

Various aspects that needs to be considered in the process of impact analysis are as under:

- Impact on current business model. Business specific risks and various strategic and tactical decisions to be immediately taken;
- Impact on business transactions i.e. sale, purchase, stock transfers etc;
- Impact on various business departments i.e. Finance & Accounts, Procurement, production, stores, Sales & Marketing, IT, Admin & HR.

- Strategizing the right pricing to create right balance between margins and volumes;
- Impact on existing contracts and agreements;
- Impact on Key vendors, their readiness and approach to GST;
- Change in procurement and other sourcing strategies;
- Assessing the capacity building to meet the needs of the GST;

TRANSIT OF CREDIT INTO NEW REGIME

Following points must be kept in mind:

- Credits in books must be thoroughly reconciled with returns over a period of time;
- Book stocks must be brought in line with the physical stocks. Regular stock taking exercise must be conducted during this phase;
- Proper Tax invoices including supplementary invoices, where needed must be received from the vendors and same must be properly documented.

- Ineligible and improper credits availed in the books and returns must be timely removed;
- Businesses must run a credit check for the last one year and avail the credits where missed either due non-availability of credit availing document or due to oversight or credits which were assumed to be ineligible or where credits missed transferring in return from the books.
- Goods lying with the job worker/ agents/ other locations - proper documentation with all the details of quantity, value etc
- Strong internal controls – Proper KYC of vendors
- Identification of all credits and implications

BUSINESS RE- STRUCTURING DECISIONS

Businesses must timely act and restructure its model as per the requirement of the GST to have a competitive edge. Few re-structuring aspects are listed below:

- Whether to change the manufacturing location, principle place of business – Centralised/ ISD
- Adding locations of supply being closer to customers/ vendors - Making national presence - No State barriers for supply;
- Shutting down locations, warehousing strategy, Change in supply chain management;

- Whether floating a new entity for separate business verticals;
- Management hierarchal/ reporting changes - Robust de-centralised reporting required;
- Venturing into new avenues;
- Assessing collaborations, partnerships, mergers - Geographical expansion & business line expansions;
- Change in Sourcing strategies - Local/ inter-state/ SEZ

TRANSACTIONAL RESTRUCTURING

Below are a few illustrative aspects for restructuring a transaction:

- Breaking a composite supply into multiple different supplies - For Ex: Combos with aerated drinks in restaurants, Cinema halls;
- Merging multiple supplies into a composite supply - For Ex: Vaastu, High Rise Premium to be merged with construction;
- Strategizing the stock transfers to avoid working capital blockage;

- Clear break up of the Price to optimize taxes;
- Revisiting the Discounts policy - Nature of discount, Cash discount or trade discount, whether linked to invoice or not;
- Security Deposits in lieu of advances to ease cash flows;
- Reviewing pricing of all related party vendors to avoid disputes in transaction value - Able to establish arms length;
- Doing away with the policy of raising Mother PO's with supplies over a period of time.

ACCOUNTS & RECORDS

For a successful GST implementation:

- Invoice new format – Very important invoice captures all details (B2B/B2C, Payment terms, reverse charge)
- Maintenance of accounts in de centralised manner and then ensuring consolidation and reconciliation
- Detailed stock records
- No cancellations made in a manner to make them illegible

CONCLUSION

For a successful GST implementation:

- Create a CORE GST team
- Migrate the Registrations
- Train the vendors, customers, staff, etc.
- Deal strategically and proactively with vendors/ customers
- Check and reconcile existing records
- Decide ERP system readiness