

Action Points before GST implementation

GST would become a reality and the nation could witness changes in the traditional ways of doing business. Businesses right now have the option to proactively embrace this reform, understand its intricacies and take a business advantage out of this change by acting immediately.

Since the tax system is in the transitional phase, hence, this is the right time for businesses to understand the immediate action points for smooth implementation of the GST. This article provides a broad thought process and a way forward of major areas actions that a business can re look. Various immediate action points can be as under:

CREATING A CORE GST TEAM:

Identifying resources across various departments within the organization and a core GST team must be formed which would be a task force equipped with the charge of smooth implementation of GST. Since, GST is not just a tax reform but it's a complete business reform, therefore the team must have persons from purchase, sales, operations, finance and GST knowledge professional in house or independent. This team would need to stay updated with the provisions of GST.

PERFORMING GST IMPACT ANALYSIS:

During transition one of the important tasks would be to understand how GST is going to impact ones business. Therefore, for that purpose businesses needs to do the GST impact study and analyse the impact. Any action pertaining to transition can be taken only once the impact is known. Entering a new phase without knowing its impact could be a risky proportion. Further, impact assessment helps in channelizing the transitional efforts in the right areas. 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;
- Aspects to be representing through various bodies/ associations;
- Assessing the capacity building to meet the needs of the GST;
- Readiness of the ERP system and technological interface to usher into the new tax regime.

MIGRATE THE REGISTRATIONS:

In registration process, it is crucial for the businesses to understand the need for various geographical locations and business verticals for which registration is required. Once this aspect is clearly decided, complete documentation must be kept in place to migrate into the GST regime. Assistance of professionals must be obtained to comply with all the procedural aspects relating to registration such that the process is completed smoothly and hassle free. Readers can learn detailed intricacies and complete procedural aspects of registrations migration at www.gst.gov.in.

TRANSIT OF CREDITS INTO NEW REGIME:

Various transitional provisions has been prescribed to deal with transfer of credits in the GST regime. Following action points must be taken care of in the credits transitional process:

- 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.

Businesses would face many practical issues in credit transition. Therefore, proper care must be taken while transferring the credits ensuring due compliance of the law. Further, businesses must have proper documentation, trails in place to establish the claim of the credit at a later date during departmental audits.

TAKING BUSINESS RESTRUCTURING DECISIONS:

Businesses would undergo a change due to advent of GST. Therefore businesses must timely act and restructure its model as per the requirement of the GST to have a competitive edge over others. There are many re-structuring aspects that can be looked into, few are as illustrated below for better understanding:

- Whether to change the manufacturing location, principle place of business;
- 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;

Understanding the nature and extent of re-structuring commensurate with the time available would be important. Further, actual implementation of the restructuring would be a brave task and the same needs to be closely monitored. Any slip-up in this aspect can have high repercussions.

UNDERSTANDING TRANSACTIONAL RESTRUCTURING:

Understanding the various options of restructuring the transaction and choosing the best based on the risk/ return criteria would be key for the businesses. Core GST team must sit with the subject experts to understand the various possible ways in which a transaction can be restructured and then a decision must be taken as to which model would suit the most based on the nature, size and risks involved in the business. Few illustrative aspects of transactional restructuring are as under:

- 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 breaking up 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.

This is just an illustrative list, there can be many more aspects to transactional restructuring, therefore a business needs to understand its various business transactions, identify various options of restructuring and apply/ implement the same. The entire exercise could be challenging but it could be worth the benefits accruing from it.

TRAINING TO VENDORS, CUSTOMERS, STAFF ETC:

In embracing a change, it is crucial for businesses to stay connected with the change. Government officials are making the laws, revised laws, rules, procedures, formats at a bullet speed. Further, upon approval by GST council, soon each state would come up with its own GST laws and there set of rules, procedures etc. In such a fast moving environment, its crucial for businesses to stay proactive and updated with the current changes by having a continuous learning and training system in place. Further to accrue real benefits out of GST, trainings must not be restricted to internal staff but the same must also be extended to chain of vendors, customers and other stake holders. In a VAT system of taxation any weaker link in a chain also poses adverse impact on the entire chain.

DEALING WITH VENDORS/ CUSTOMERS:

Constant communication with the vendors/ customers and their support is very crucial in smooth transition. Carrying along the un-organized vendors into the GST regime is a risky affair. Many aspects of the GST regime such as matching concept, compliances etc. would be perturb the business in GST regime if the vendors are not organized. Therefore, the challenging task of the vendor evaluation/ assessment and their preparedness for the GST must be assessed well in advance during the transitional phase.

DECIDE ERP SYSTEM READINESS:

Needs of the businesses from ERP would undergo a change in the GST regime, but the crucial decision making factor is to understand the nature and extent of the tweaking to the ERP that is required to be done to atleast start with. It could be challenging for the businesses to decide

whether to totally migrate into the new ERP or to completely overhaul the existing ERP's or to list out the various reports, formats, fields that needs to be changed in the existing ERP. Therefore, immediate assessment of the ERP systems must be undertaken and a decision on immediate changes in the ERP must be made to ensure smooth flow of operations in GST with reduced manual efforts on compliance.

CONCLUSION:

Businesses which look to just transit into GST without any Pre-implementation actions have very less challenges during transition. However, such businesses would have to deal with lot of challenges post implementation of GST in the form of high value departmental notices, harassments during audits, inspections etc apart from risks on business margins/ volumes and on business survival itself. On the other side, those businesses which well plan and act during this phase of transition would be able to juice out that extra profit out of transitional tax planning apart from creating that extra edge over its competitors. As the saying goes '**Success comes to those who acts first**'. Therefore, in embracing change, one opens up a door for multiple possibilities only if timely acted upon.

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