Getting GST ready
The Goods and Service Tax (GST) is one of the most significant tax reform post-independence and has rightly attracted heightened interest from all stakeholders. It is expected to replace our current complex Central and State indirect taxes to create a common market for India with a seamless indirect tax regime. The country can expect to have three types of GST namely Central GST, State GST and integrated GST within the GST credit chain. Furthermore an additional 1% origin tax on supply of inter-state goods outside the GST credit chain.

GST is expected to provide a significant boost to investment and growth of the economy. The growth can be achieved with reduced capital cost creating increased capital stock and also through improved resource allocation driving increased total productivity and competitiveness. A right design of GST with broad base and moderate rates will help reduce the cascading and will be an excellent enabler for the “Make in India” theme.

One of the biggest challenges for the industry is to understand the enormity of GST. While the Empowered Committee of Finance Ministers on GST feels confident with the progress and action plan of GST Network Company (GSTN), the required IT platform, is expected to be ready by the time GST is introduced, industry needs to be equally prepared for the big transition. The big overhaul will affect how the companies operate their businesses, presenting significant opportunities for long-term revenue and margin improvement.

GST will be transformational and the implication on the industry extends well beyond Tax. It will affect every part of business right from Financial Reporting, Tax Accounting, Supply Chain, technology enablement and contracts redesign. Training people within the company and its business eco-system will be fundamental for the readiness for the new regime.

The transition would have to be managed in a phased manner, wherein companies would have to start by understanding key areas of impact in their business and prepare different scenarios for the design and application of GST. Business cases on changes would have to be developed with the impact of change on revenues and margins. Implementation of changes would have to be managed through robust program management on various work-streams across the value chain of operations.

To enable a successful implementation, a common ground would have to be identified to bring together various stakeholders for a common cause. The inter-dependencies need to be identified upfront at project initiation and plans to put in place to manage them. “Getting GST ready” is a ready reckoner from EY to help identify business impact areas and how you should plan for GST.

Overall, companies will need to build and run a program that will provide the “serenity to accept what they cannot change, the courage to change what they can, and the wisdom to know the difference”. GST is offering an opportunity to transform and improve the way we do business, and to make the most of this opportunity, it is imperative for the industry to start Getting GST ready.

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Business Impact

- Program planning
- Governance forums
- Deliver communications
- Drive project delivery
- Quality assurance
- Program integration
- Budget management

- GST registrations
- Tax credit transitions
- Return reporting
- Other statutory compliances
- Managed/Shared Services

- System changes - ERP, EI tools, other technology tools
- Compliance - with GSTN requirements
- Getting systems ready for audit
- Automation

- Rate of tax
- Time & place of supply
- Treatment of current incentives
- Valuations

- Change management and training
- Advocacy
- Indirect tax impact assessment
- Supply chain

- Accounting and reporting
- Technology refresh
- Compliance

- Operating model
- Sourcing
- Distribution
- In-house v/s outsource
- Supply chain processes
- Working capital
- Contracting

Indirect tax impact assessment (GST Navigator) for:
- Revenue stream
- Procurement stream
- Costing, pricing and working capital
- Availability of credit of GST (incl. transitional credits)

- Tax credits, payments and accounting
- change assessment in accounting entries (incl. revised chart of accounts, compliance with Indian Accounting standards etc.)
- Risks & controls

Enabling business engagement
Facilitating business readiness

Getting GST ready
Advocacy

An integrated approach to enable GST advocacy and policy representation powered by detailed analysis

Objective

Know where you stand and where you need to go

- Assess the impact of policy changes
- Develop alternatives/feasible options acceptable to government
- Quantify their revenue and economic impact
- Develop comprehensive understanding of the opportunities for change to the law by which proposals could be implemented

Make policy views known, heard and understood

- Establish connect and make representations to the government
- Effectively engage with relevant officials to be able to address policy makers’ concerns arising through the process
- Develop a consensus and build effective coalitions to bolster your position
- Effective communications campaign

Improve competitiveness, and long-term economic viability

- Develop proposals
- Assess your competitive position
- Prepare detailed cost-benefit analysis of proposals

GST impact areas - EY Advocacy

- Treatment of State incentive packages
- Impact of non-creditable 1% origin tax on inter-state supplies of goods
- Products to attract lower GST rates
- Exemption of GST on imports/domestic procurements
- Refund/Exemption of 1% additional tax
- GST rates
- Exemption of GST on imports/domestic procurements
- Place of supply rules to determine export of services?
- High seas sale/in-transit sales - Treatment under GST

Our differentiators

- Global experience and network strength
- Regular and constructive engagement with Centre and State governments, industry bodies and think tanks
- Team led by Satya Poddar (renowned GST guru with global experience), Dr. D.K. Srivastava (leading economist; was part of several Finance Commissions), Venkatesh Narayan (former Revenue official)

The GST will be the most significant tax reform in the fiscal history of India. It will have an impact on prices, business processes, investments and profitability in all segments of the economy. It will also entail a fundamental shift in the way tax policies are made in the country. It is important for businesses to understand the impact of the proposed change, work collaboratively and be heard.

EY is rightly placed to help you develop understanding and visibility; and also make representations to get your voice heard.
The GST Navigator works on the GST engine, which uses a combination of tax codes and conditional processing of data.

**Objective**

The orthodox methods of tax impact assessment provides only high level analysis and decisions based on such results may pose significant risks for the organization.

**Tax payments**

- **Current regime**
  - Monthly analysis
- **GST regime (as-is)**
  - Location wise analysis
- **GST regime (simulated business)**
  - Product/division wise analysis

**Tax impact analysis**

- **Products and pricing**
- **Business location consolidation**
- **Procurement patterns**
- **Customer segments**

EY has developed a **Proprietary Tool - ‘GST Navigator’** to assess and simulate business impact in the GST environment. It focusses on taxes payable, credits, pricing and margin impact and cash flow considerations. This will drive key business decisions on operating model changes required to optimize tax outcomes.

**Benefits to users**

- Early assessment of tax impact of the change, with ease of future refresh as the regulations evolve
- Reports offer multiple drill-downs, providing high quality analytics
- Clients are using the output of the GST Navigator for:
  - **Advocacy** - Determine what is adversely impacting at a policy level that can be then represented to the Government; companies are able to identify, validate and back up their claims of impact
  - **Pricing (profit & loss and cash flow impact)** - Understand the internal impact of GST from a product pricing stand point, credit flows, lost credits, higher/ lower taxes, impact on distribution supply chain, and on secondary sales (distributors and retailers)
  - **Strategic** - Understand opportunities or threats likely to be posed by GST, the potential impact on supply chain, the potential impact on vendors, and change in impact on alternate supply chain scenarios to optimize the impact of GST

**Profile of the companies who should adopt it**

- Manufacturers with supply chains in multiple states
- Large scale importers and traders
- Service providers with presence or client base across multiple states
- Mixed supply providers (developers/project owners and works contractors)

EY uses GST Navigator and deploys a robust methodology for assessing the tax impact in “as is” and in “simulated” scenarios, enabling you to optimize key business decisions.
GST will impact the entire value chain comprising of the major industries irrespective of the sector. It will impact the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales and pricing.
Accounting and reporting

Key goals for GST Transformation

1. Compliance Ready
   - Help you define the compliance management framework in light of new GST regulation.
   - Secure business interests through complying with the new / evolving GST regulation.

2. Harmonize Operations
   - Help you assess the ‘As-Is’ scenario and develop ‘To-Be’ procedures / reporting & accounting framework in line with the new regulations and industry/geography benchmarks.
   - Standardize standard operating procedures to adapt to, and be successful in the new regulations environment / business model.

3. Seamless Business Integration
   - ‘Post-implementation’ process audits to assess the integration between new systems, processes and functions. Also, review the reporting MIS.
   - Synchronize the systems with the new processes and functions to integrate information from multiple sources and derive sharp insights on the reporting and accounting framework.

4. Improve Partner Experience
   - ‘Third Party Reviews’ focused around contracts, processes and systems to assess readiness to change per new regulations environment.
   - Enrich the business partners’ experience (vendors/ dealers/ distributors / consignment agents etc.), staying true the company brand promise.

5. Enhance Employee Experience
   - Workshops with employees on Roles & Responsibilities, Controls, KPIs, Reporting, Integration and Compliance.
   - Get employees onboard the new systems, processes and controls environment to enhance business synergy to augment growth.

EY Proprietary Tools
- Internal Controls Manager
- PMO tools
- EPC Tool
- Compliance Manager
- Process Depots

EY Enablers
- Proven industry expertise
- Collaborative approach
- Subject matter expertise
- Performance transformation focus
- Single Modular Methodology

Objective
To design & document ‘To-Be’ processes incorporating GST implications, accounting changes and key control activities

EY will deploy multi competency teams (Expertize on accounting standards/ principles, sector and functional understanding) to facilitate companies to comply with statutory changes, while supporting in process readiness.
Technology refresh

**Objective**
Leverage technology to support compliance and smooth transitioning from the current to new GST regime

**Use of right tools** is work half done
- Process templates
- Unit and integration test script templates
- Functional and technical specification templates
- Configuration document template

**Implementation oriented work products**
- Business blueprint
- Validation reports
- Configuration document
- Training material

**Make it work as one unit**
Integration with:
- Supply chain
- Compliance requirements
- Processes
- Customers and vendors

**Support compliance**
- SAP Certified reports
- Pre-tested solutions
- Templates and other enablers

**Support smooth transition**
Re-design solutions, landscapes and configurations to cater to the new GST requirements

**Make right decisions faster**
Enabling technology to help drive analysis and facilitate decision making in the GST environment

Comprehensive solution framework developed by EY to meet requirements of the proposed GST regime from ERP application perspective.
Enabling transition by adhering to various compliance requirements and setting up systems and controls to ensure GST compliance

Design of GST compliance framework and standard operating procedures covering various aspects such as:

- Registrations
- Invoicing
- Computation of tax credits/set offs
- Filing of returns,
- Payment of taxes
- Maintenance of statutory records
- Work programme for verification of compliance

Delivery considerations

- What controls or checks should be taken to drive accuracy of GST returns?
- How should the relationships with IT, Finance and other business units be managed?
- What framework should be put in place to facilitate training of staff to handle GST related roles?
- Who should own the responsibility for updating process documents/ manuals?

Key compliance requirements on introduction of GST.
**Objective**

Seamless Orchestration and Management of GST projects for successful program delivery

**Planning**

- Governance: Organizations have to put in place the right governance mechanism which can drive efficient and effective execution.
- Resources: Resource must be allocated so as to form cross functional teams and drive ownership and different levels of the organization.

**Vision and direction**

- Strategic business case: Need for conducting the program and visibility of high level potential benefits for the organization documented.
- Sponsor Commitment: Long term execution commitment of internal teams including the project sponsor to drive sustainability of the program.

**Business acceptance**

- Change vision & leadership alignment: Alignment of leadership to drive execution of the program.
- Stakeholder engagement and communication: Timely flow of information for approvals and execution across levels of the organization.

**Execution**

- Process, tools, frameworks: Program management tools designed such that most pertinent metrics are captured at regular intervals and feedback is received.
- Quality, risk, controls: Well defined escalation matrix and review mechanism to drive high quality and manage risks in a timely manner.

**Use of right tools is work half done**

- Program Change Management tool
- Program Performance Centre Tool
- Stakeholder Management Tool
- Reporting Analytics Tool
- Program Governance & Communication Guide
- Program Value and benefit Assessment Tool
- Quality Assurance Tool
- Program Financial Management Tool

**Implementation oriented work products**

- Program Communication Matrix
- Program Performance reporting and Executive Dashboard
- Program Stakeholder Assessment Matrix
- Program RAID Matrix
- Program Financial Analysis

**Measuring and monitoring**

- Reporting: Robust mechanism for estimation of benefit of the exercise and communication of outcome to all stakeholders.
- Benefit realization: Defining achievable and measurable benefit targets at the start of the program and achieving targets as per timelines.

**EY will use proven program management Tool Kit to facilitate rapid & effective program start-up and ongoing management.**
Change management and training

**Objective**
Managing change such that there is minimal disruption to business.
Training employees on changed process and technology

- Use of right tools is work half done
  - People change impact assessment tool
  - Change visioning guide
  - Case for change guide
  - Stakeholder management and communication template
  - Training plan development tool
  - Training needs assessment guide
  - Training strategy guide
  - Change readiness assessment guide & tools

**Implementation oriented work products**
- People change impact assessment
- Change visioning and case for change
- Training strategy and delivery
- Change readiness assessment before roll-out

EYs Business Readiness framework provides a robust methodology for managing a GST change.

*Note: Only those levers which are relevant to the GST context are highlighted in above framework*
Planning for GST – Part 1

Smooth transition into new GST regime would require:
- Transition roadmap preparations
- Change in business processes to align to the new tax regime
- Update of various software solutions across all locations to meet the proposed structure
- Training of all personnel on new processes

Furthermore, transition has to be managed in a phased manner comprising of:

<table>
<thead>
<tr>
<th>Impact area identification</th>
<th>Change assessment</th>
<th>Design blueprint for future</th>
<th>Implementation of change and testing</th>
<th>Post implementation journey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify areas of impact across the value chain of operations</td>
<td>Assessing GST impact on ‘AS IS’ business models</td>
<td>Design future state GST ready organization comprising of processes, technology and people aspects</td>
<td>Roll out of proposed changes</td>
<td>Compliance management</td>
</tr>
<tr>
<td>-</td>
<td>Assessing GST impact under identified business scenarios</td>
<td>-</td>
<td>Communicate changes to internal and external stakeholders</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Developing business case for change</td>
<td>-</td>
<td>Conduct compliance testing and quality assurance</td>
<td>-</td>
</tr>
</tbody>
</table>

This approach will enable businesses to undertake an effective transition programme for the implementation of GST. This will facilitate review of relevant areas of the business and resolution of issues therein.
Organizations are taking a fresh approach to this important part of the finance function to drive efficiency, control and value. Appropriate compliance checks must also be in place.

An effective GST function must be able to identify and control all the relevant data needed for accurate reporting throughout the end-to-end process, from basic information about suppliers, customers and transactions through to completion of the GST return.

**Checkpoint questions on core & IT compliance functions**

1. What are the typical large-scale transactions?
2. What is the process for recording purchases to pay, orders to cash and inter-company transactions?
3. What measures are in place for accurate and timely submissions for GST returns and payments?
4. What is the process for dealing with GST regulations & audits?

1. How many operating systems need to be GST sensitized?
2. Are billing systems capable of raising GST-compliant invoices?
3. Are the existing billing systems able to record inter-company GST transactions?
4. What is the best method for extracting data from the ERP systems for reporting purposes?
Key imperatives for businesses

Creating awareness
Awareness programs have to reach key stakeholder such as suppliers, distributors and internal stakeholders. They have to be kept informed of the plan and progress on the implementation of this company wide initiative.

Effective change assistance
It would be critical for the relevant process owners and managers to effectively manage the change attributed to GST implementation in their day to day activities.

Integrating multiple applications
There are multiple systems and modules at various stages of readiness that would have potential impact by this GST implementation. Therefore, interfaces between these multiple systems / applications have to be identified, developed and tested.

Inter-dependencies between project streams
The inter-dependencies need to be identified upfront at project initiation and plans to put in place to manage them. There should be continuous monitoring to identify new inter-dependencies as the project progressed.

Time sensitive
Organization needs to ensure timely readiness for GST implementation. Any delays in the implementation have potential reputational risk. Hence it is critical to remove any roadblocks to ensure timely completion of tasks.

Large number of stakeholders
Different stakeholders may have vastly different interests and agendas. A common ground needs to be identified to bring together the various stakeholders under a common cause.

Challenges in GST implementation

As we approach GST implementation timelines, companies should consider the following activities to be GST ready:

- Understand key areas of impact in their business
- Prepare different scenarios for the design and application of GST
- Continually track policy development regarding GST and update prepared scenarios
- Identify any areas of adverse impact and prepare contingency measures
- Identify issues and concerns needing representations to the authorities and develop a strategy for effective advocacy
- Prepare the transition roadmap and align relevant teams
- Facilitate sustained implementation
EY has been closely involved with the GST initiative through its Policy Advisory Group - a specialized team of experienced professionals, including former government officials - that advises businesses as well as governments on diverse policy issues. The Group helps businesses anticipate policy changes, assess their impact on their operations, and engage in a constructive dialogue with the relevant authorities for remedial measures to address any concerns. The Group has diverse VAT and GST experience with extensive interactions with both the Centre and the State Governments in India and overseas engagements in various jurisdictions.

<table>
<thead>
<tr>
<th>What EY brings to address your need</th>
<th>Benefits</th>
<th>Driving success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global expertise in delivering large transformation programs that includes a proven deployment approach, change management and PMO structure</td>
<td>A global transformation methodology that will leverage best practices, introduce innovation and build a clear manageable roadmap</td>
<td>Understanding business inputs, delivery dates will allow leadership teams to plan their core financial decisions</td>
</tr>
<tr>
<td>Global experience in successfully delivering GST implementations, with market leading companies utilizing proven change management techniques</td>
<td>Reducing delivery risks by using EY Global market leaders in Goods and Service Tax implementations</td>
<td>A strong understanding of local regulatory requirements. Delivering large Scale GST transitions across multiple business functions</td>
</tr>
<tr>
<td>Subject matter experts in goods and service tax, accounting supply chain and IT across sectors providing thought leadership and advice on GST leading practices</td>
<td>Most optimised business outcome due to EY’s hand-picked, cross functional team</td>
<td>A partner on the journey – matching your talent. We will bring you the latest thinking and experience with an agile approach to address the evolving GST landscape</td>
</tr>
<tr>
<td>Proprietary GST navigator tool to assess impact of GST implementation</td>
<td>In-depth assessment of impact on as-is business model and across multiple to-be scenarios</td>
<td>We provide you the visibility to prepare for change and be GST ready</td>
</tr>
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</table>
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Getting GST ready
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