

GST with BatchMaster



Executive Summary:

'One India, One Tax' will be the new identity of India. Goods and Service tax (GST) in India is hyped as the single largest tax reform since independence. It is estimated to boost GDP by 1.5 to 2%. The benefits of simplified compliance, technological backing and uniform process all over, will contribute significantly to 'Ease of doing Business' while also bringing-in tax compliance and transparency. The current taxation system in effect is very complex with more than ten repetitive indirect taxes. In this taxation system neither manufacturers, nor ultimate consumers are benefitted. All the gains are pocketed by middle man.

India is geared up to introduce a dual GST on a common taxing event of supply by central as well as state government. Keeping in mind that GST will be in effect from the middle of 2017, the Indian companies have begun pushing their IT vendors and tax advisors to upgrade their systems to be GST compatible. To meet this, both finance software companies as well as ERP vendors have made desired changes to accommodate the prescribed methodology of calculating GST. They are aligning their processes to accommodate GST in order to have a smooth transition from pre GST to post GST phase without causing inconvenience to their customers.

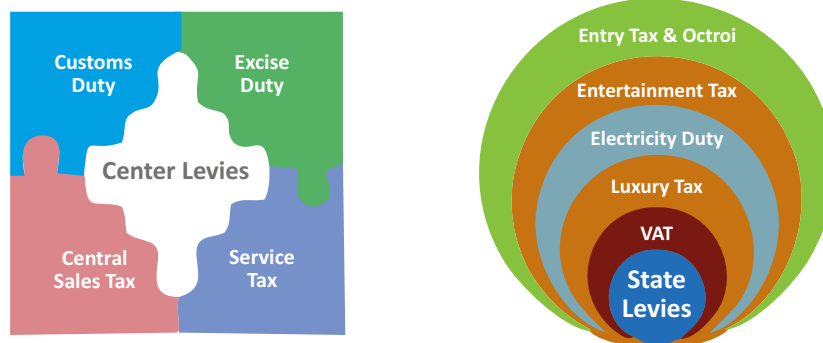
This white paper focuses on the proposed GST model for India, GST add-on designed by IT vendors and GST ready ERP software.

Introduction

With the advent of Goods and Service tax (GST) in India from July 1st 2017 (expected), the biggest and most impactful changes in Indian indirect taxation is bound to happen. The GST will replace the existing indirect taxes on consumption and will be applied on both goods and services. For goods, it will be levied destination based, whereas for services, it will be levied consumption based.

Current Taxation System

At present, the taxes levied by center and state are different. The center levies custom duties, excise duty, central sales tax and service tax. Whereas, the state levies VAT, luxury tax, electricity duty, entertainment tax, entry tax and octroi.



What Exactly Is GST?

GST is one tax that is levied on manufacturing, selling and consumption of goods and services, distributed among the Central Government and the State Governments. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on the value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. Being a destination based consumption tax, GST is usually levied on import of goods and services with export transactions being zero rated under the GST scheme.

GST Model

GST structure is expected to have two components: One levied by the Centre- Central GST (CGST), and the other levied by the State- State GST (SGST). Both components would be applicable on all taxable transactions of goods and services. The Centre and the States would have simultaneous jurisdiction for all tax-payers in the value chain. The CGST and the SGST would be levied simultaneously on every transaction of goods and services, except for the services and goods which are beyond the purview of GST.

EXEMPTIONS¹: Custom Duty, Excise duty on Tobacco products, Specific Cess, Taxes on liquor, Electricity Cess, Property Tax, Toll Tax, and Stamp Duty are exempted as of now from the purview of GST but subjected to changes introduced by the government.

GST TAX RATES¹: A four-tier GST tax structure of 5%, 12%, 18% and 28%, with lower rates for essential items and the highest for luxury and de-merits goods that would also attract an additional cess is introduced. Essential items like food and basic necessities will be taxed at zero percent. (Tax rates subject to latest Annexure by the government).

The returns will be filed in the prescribed format available on the government online portal. In the table2 below, we have provided details of all the returns which are required to be filed under the GST Law.

Return Form	What to file?	By Whom?	By When?
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Registered Taxable Supplier	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Registered Taxable Recipient	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month
GSTR-4	Quarterly return for compounding taxable person.	Composition Supplier	18th of the month succeeding quarter
GSTR-5	Return for Non-Resident foreign taxable person	Non-Resident Taxable Person	20th of the next month
GSTR-6	Return for Input Service Distributor	Input Service Distributor	13th of the next month
GSTR-7	Return for authorities deducting tax at source.	Tax Deductor	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	E-commerce Operator/Tax Collector	10th of the next month
GSTR-9	Annual Return	Registered Taxable Person	31st December of next financial year
GSTR-10	Final Return	Taxable person whose registration has been	Within three months of the date of cancellation or date

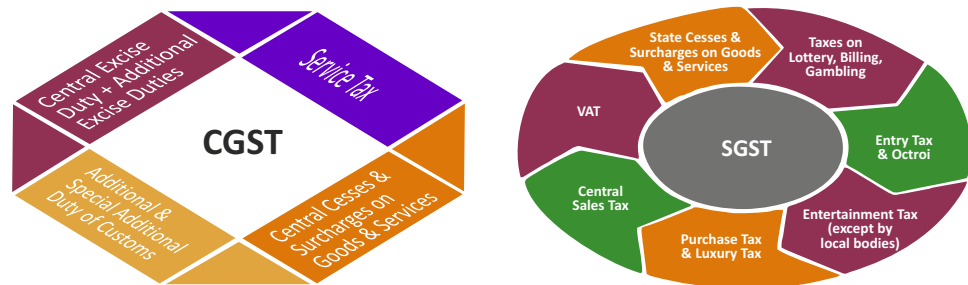
Taxes To Be Subsumed

Following are the taxes, proposed to be subsumed under the dual component structure GST

CGST Will Subsume: Central Excise Duty, Additional Excise Duties, Excise Duty levied under the Medicinal and Toiletries Preparation Act, Service Tax, Additional Customs Duty commonly known as Countervailing Duty (CVD), Special Additional Duty of Customs, Surcharges and Cesses.

SGST Will Subsume: VAT, Central Sales Tax (CST), Entertainment tax (unless it is levied by the local bodies), Luxury tax, State Cesses and Surcharges, Entry tax not in lieu of Octroi, Purchase Tax.

The GST would replace the following taxes³:



Taxation System In The Manufacturing Industry: Current Vs Post GST

In India, manufacturing sector is a highly taxed one. Despite of low manufacturing costs, multistage taxation i.e. custom duty on imports, central excise duty on manufacturing, central sales tax (CST) / value added tax (VAT), service tax on the provision of services and levies such as entry tax and octroi by the State government, add to the cost of the product. Goods which are manufactured in India also attract the indirect tax: Central Excise Duty. This tax is collected by the central government and the duty collections are managed by the 'Central Board of Excise and Customs'. The manufacturer collects excise duty from the buyer and remits this duty to government. Goods can be removed from their place of manufacture only while being accompanied with an excise invoice, which contains information about the excise rate and duty applicable of the goods being moved.

With the introduction of GST, the Central Excise duty will no longer be applicable (except on Petroleum products and alcoholic products). The manufactured products will attract CGST and an SGST component. GST (central and state component) will be collected at each point of sale irrespective of the nature of the transaction – be it from a manufacturer to a retailer or from a retailer to the end user. GST will be levied on the transaction cost and in the case of sale from manufacturer to retailer, the CGST and SGST levied will be available as input credit for the retailer while selling the goods to the end user. This means that the retailer will be liable to pay tax only to the extent of the value added by him to the goods value. This in turn will mean reduced burden of taxes on the end consumer due to avoiding of double taxation on the goods.

What Changes Will Come After GST?

The proposed Goods and Service Tax will lead to the evolution of a harmonized tax system in the country. Successful integration of GST, would give India a world-class tax system and will boost the tax collection. It will also end the pending distortions of different treatments to the manufacturing and service sectors. For example, after GST, a retailer can set off the input credit of CGST and SGST on procurement of services like rentals, freight, advertisement, which currently attract service tax, against the output tax levied on the sales of goods from his premise. With the introduction of GST, the issue of inability to offset the input taxes should get resolved.

Change in the indirect taxation structure will impact all industry sectors. Starting from the taxes paid on raw materials by a manufacturer to the invoices raised by a retailer for an end consumer of a good – all steps of the value change will experience a change in how taxation takes place.

Taxation In Manufacturing Segment: Current, Post GST And Their Fulfillment By ERP GST Add Ons:

Sr. No.	Particulars	Present Taxation	Proposed GST	Covered by ERP
1	Structural Architecture	VAT systems at the Centre and State, is not available as set off against the other-Tax on services is levied under separate legislation by the Centre and regulates service tax	A dual tax with both Central GST (CGST) & State GST (SGST) will be levied on the same base. It allows seamless tax credit amongst Excise Duty, Service Tax & VAT	✓
2	Excise Duty	Imposed by Centre. Taxable event is manufacture; Taxed up to manufacturing point	To be subsumed in CGST; Taxable event will be sale; To be taxed up to retail level	NA
3	CVD/SAD	Imposed by Centre. Taxable event is import	To be subsumed in CGST; Taxable event will be import	NA
4	Service Tax	Imposed by Centre. Taxable event is the provision of service	To be subsumed in CGST & SGST; Taxable event will be provision of service	✓
5	State VAT	Imposed by States; Taxable event is sale within the State	To be subsumed in SGST; Taxable event is sale within State	NA
6	Inter-State Transactions	Imposed on goods & services by the Centre (CST, Service Tax)	To be subsumed in GST and subject to SGST & CGST	✓
7	Tax on Manufacturing activity	As Excise Duty by Centre	No such powers under GST regime	NA
8	Powers to levy Tax on Sale of Goods	Inter-State : Centre Local : State	Concurrent powers to Centre & State	✓
9	Powers to levy Tax on Provision of Services	Service Tax by Centre	Concurrent powers to Centre & State; States to tax more than 40 services	✓
10	Tax on Import in India	Goods are taxed to Customs Duty (comprises Basic Customs Duty, CVD & SAD); Services are taxed to Service Tax	Custom Duty on goods : No Change - CVD & SAD on import of goods and services: To be subsumed in GST	✓
11	Tax on Export of Goods & Services	Exempt/Zero-rated	No change is proposed	✓
12	Tax on inter-State Transfer of Goods to Branch / Depot or Agent	Exempt against Form F	Will be taxable	✓
13	Tax on Transfer of Goods to Branch or Agent within States	Generally exempted, but depends upon State procedures	May not be taxable, if BIN of transfer or and transfer fee is same	✓
14	Cross-Levy set-off/ adjustment	Excise duty and Service tax: Cross set off allowed	No cross set-off between CGST and SGST will be allowed	✓
15	Credit on Inputs used for Exempted Activities	Not allowed	May not be allowed	✓
16	Transactions against Declaration Forms	Allowed under the CST / VAT	Forms likely to be abolished	NA
17	Classification of Commodities	Excise Duty based on HSN VAT not applicable	Likely to be based on HSN	✓
18	Use of Computer Network	Just started by the States; very minimum; Central taxes are online	Extensive; It will be pre-requisite for implementation of GST	✓

Preparedness Of Enterprise Resource Planning (ERP) Vendors For GST

GST will have multifold impacts on ERP systems, some of them are anticipated in advance and some post implementation consequences remain unknown. Since the ERP vendors are rigorously preparing for the new GST environment, the rules must be followed and necessary changes be made in their business environment without causing inconvenience to their customers. In the due course of this transition, the vendors must test their preparedness on the following parameters.

- Adaptability of GST in ERP to eliminate the chances of system collapse
- Business process refinement for processes like, interstate stock transfers, subcontracting etc. as per proposed GST framework
- Tax configuration and computation should accommodate the proposed taxation requirements
- The system should be capable to cater the needs of Reporting and printing requirements based on the regulatory requirements
- Impact on interfaces must be verified by the vendor, whether to a third party or your own ERP
- Tax credit migration, for taxes such as excise, service tax, VAT, etc.
- Closure or reversal of partially open transactions before migrating to the new system
- Managing special case transactions in scenarios such as the goods sold or purchased before GST and returned after GST implementation, will be handled by ERP vendors depending upon the requirements of their respective clients

GST Add on & GST Ready BatchMaster ERP

Draw the advantage of BatchMaster's Goods & Services Tax (GST) module to ease off the complications of GST calculations. The GST Add On module is designed and developed in such a way that the GST tax filing and billing work becomes a cake walk. Our dedicated team of CA, CS and software developers have been working on it since the very beginning and we have considered every single aspect to be incorporated in the solution in a simpler way.

This comprehensive solution can handle all your taxation needs that too in full compliance with GST rules. It eases the complexities of Domestic Sales, Exports, Deemed Exports, Exports through warehouses, Warehouse Transfers, Inter-state & intrastate sale, advance payments, Captive consumption etc., by keeping a track of CGST/SGST/IGST. As the Indian Govt. has already declared that the returns and registrations under the GST regime will be carried online, hence the requirement of good user-friendly software will be fulfilled by BatchMaster easily.

Assuring optimum utilization of manpower and time with adaptability to latest notifications, BatchMaster GST will keep you audit-ready for GST at any given time. The GST Add On is designed in such a manner that the GST work becomes hassle free.





Key Features of BatchMaster GST (BME-GST):

1. Easy generation of Invoice as per GST Guidelines and Invoice format. BatchMaster provides printable invoice formats as per draft rule provided by www.cbec.gov.in/htdocs-cbec/gst and are in accordance with the GST.
2. Facilitates filing of all types of dealer returns like GST registered dealers, input service distributors, etc.
3. BatchMaster's GST module automatically debits Duty payments and provides warnings in case of insufficient credit balance. As soon as an invoice is generated, the duty payable is automatically updated and ITC will be reflected on the voucher. You can easily view payable, credit available and the balances for IGST, CGST and SGST.
4. Offers platform for payment of taxes as per liable GST rates, subject to disclosure of procedure by government.
5. Reconciliation with GST portal and other official GST links. In case of a mismatched credit entry by the vendor, you can reconcile credit available on the GST portal with credit available in the BME ERP system. Hence, a mismatch in the credit is easily traceable.
6. BatchMaster also provide support in data migration from excise to GST with Effective & consistent data back-up prior to upgrade.
7. Handles GST & ITC (Input Tax Credit) on capital goods and imports.
8. Furnishes detailed information on duties paid simply at the click of a button.
9. Hassle free and spontaneous preparation of monthly/quarterly/yearly returns of GSTR1, GSTR2, GSTR3 and GSTR9.
10. Supports multiple branches of an organization.
11. Defining Vendor/Customer/Company's GST No. branch wise. For example, customers and vendors have different branches and BME GST can maintain GST information of different branches.
12. Proper calculation of taxes in Invoice/Voucher as per GST Norms as GST accounts different tax percentage for different slabs. The BatchMaster ERP system can calculate the correct tax amount in corresponding heads such as IGST/CGST/SGST.
13. Separation of invoices/vouchers according to their type of business: Vouchers and invoices will be prepared according to GSTR1 and GSTR2 sub sections and also according to business type.
14. Handling of Advance Payments and their taxes: Advance Payment tax is to be deposited in advance and later upon invoice creation that tax will be adjusted from advance tax paid. BatchMaster aids in such provision.
15. Adjustment of Payable with IGST and CGST/SGST combination: IGST credit can be used in IGST and CGST/SGST both. We help you to decide what amount of IGST is to be distributed against different taxes payable.
16. Handling of Job In/Job Out as per GST Norms: A job out can go out from premises without paying tax, but if the goods do not return within 180 days then it is liable for the tax payment. BatchMaster for GST keeps a track for the same.

Here is the table which represents the Excise counterparts in the GST regime

Sr. No.	Excise	GST
1.	ECC, Division, Range, Commissionerate, CST No. etc., maintained	GSTN maintained for each branch
2.	VAT Type Taxes Defined – VAT/Cess/Ecess	Flat Type Taxes Defined – CGST/SGST/IGST/Cess/Cess2
3.	Accounts defined for VAT/Cess/Ecess	Accounts defined for CGST/SGST/IGST/Cess/Cess2
4.	Credit Entry for Purchase goes to VAT/Cess/Ecess	Credit Entry for Purchase goes to CGST/SGST/IGST/Cess/Cess2
5.	Credit not taken for job work out till material comes back in	Credit taken for job work out, but if the material does not come back within 6 months, credit is reversed with a penalty
6.	Debit Entry for Invoice goes to VAT/Cess/Ecess	Debit Entry for Invoice goes to CGST/SGST/IGST/Cess/Cess2
7.	Purchase Voucher & Shipment Return were treated separately	Purchase Voucher & Shipment Return are treated in the same way
8.	No option for Advance Payment	Advance Payment option on Debit Entry screen
9.	No option for Reverse Charge	Reverse Charge is applicable
10.	Transfer of credit from one branch to another not available	Ability to transfer credit available from one branch to another
11.	Excise Registers / Returns / Reports were required	Only GST Returns are required
12.	Challan & Returns had to be filed	Returns filed online
13.	Challan Master for payments	Payment Master to make entries of payments
14.	Service Tax applicable on Services	Service Tax merged in GST so no separate screen needed
15.	Import of raw materials entered through the Import Raw Material screen	Import as per new GST norms, GST taxes will be entered through Manual Credit Entry screen
16.	Capital Goods – partial credit allowed	Can take complete credit of Capital Goods immediately
17.	State Master not required	State Master records need to be maintained

Key Documents Generated By BatchMaster GST

Out of 11, BatchMaster generates four returns as per GST laid down procedures in the statute which are relevant to the manufacturing industries.

- ITC Match/Mismatch Report generation
- Generates GSTR1: Outward supplies made by the tax payer
- Generates GSTR2: Inward supplies made by the tax payer
- Generates GSTR3: Monthly return
- Generates GSTR9: Yearly return
- Prints export invoices in desirable formats.

Conclusion

GST aims to make India a common market place, as significant changes are expected to take place in business systems on account of GST implementation. With the advent of GST, transparency in all financial transactions is expected to be achieved. Moreover, more and more business processes will be required to turn towards automation along with the enhanced account management systems. Timely GST preparedness is a key to smooth transition into the latest trend, and the vendors need to have experienced talent pool that is fully geared for it. In order to stay abreast, ERP vendors are gearing up to accommodate these changes and also help their customers to stay abreast with the new regime. The changes may be visible in areas related to master data, business process changes, interfaces and reporting requirements for GST migration.

BatchMaster, has one of the finest team of financial experts and professionals who are doing their best to map the footprints of GST in our product. We have adopted a proactive approach in understanding the potential impact of GST on our ERP system before the GST Bill becomes a law. BatchMaster is referring the top tax consultancies in order to bring out the best GST picture in our product. We are well-prepared to embrace and help you embrace the change. So be rest assured we are fully ready for the all new GST!

References

1. <http://www.gstindia.com/goods-st-gst-concept-impact/>
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4. <http://www.cbec.gov.in/htdocs-cbec/gst>
5. www.gstindia.com

Learn More

To learn more about how GST with BatchMaster ERP can help you gain clarity across your business and improve operational efficiency, visit: <http://www.batchmaster.co.in/gst-ready-erp.aspx> or email- info@batchmaster.com

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