



#KPMGjosh

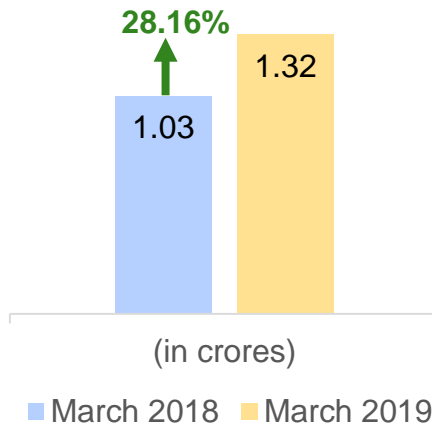
# GST - Current Challenges & Way forward

Santosh Dalvi  
Partner, KPMG

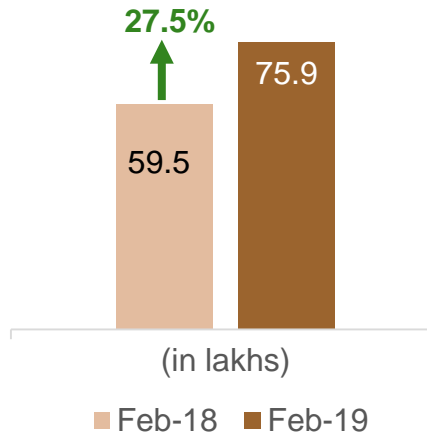
Disha - 2019

# GST - Status so far

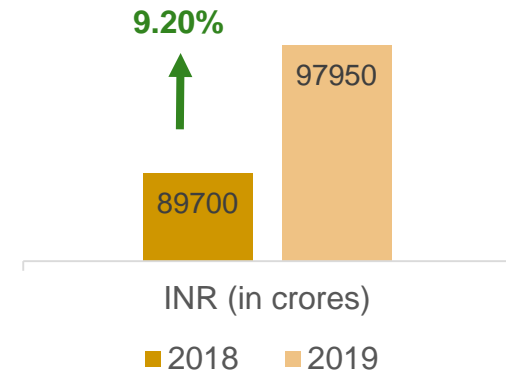
## Registered Taxpayers



## GST returns filed



## Average monthly GST collections



- Steady increase in number of registered taxpayers, returns filed and GST collections
- Increase in GST collections seen, despite rationalization of tax rates – trend suggests increase in tax base and improvement in compliance
- However, collections still short of target, which leads to strict anti-evasion and enforcement measures by the Government

# GST - Journey so far

- **Focus on Simplification in Overall Compliance**

- **Buoyancy in revenue collections:**

- Leading to rate reduction for many goods and services which attract 28%

- **Anti profiteering used for controlling inflation:**

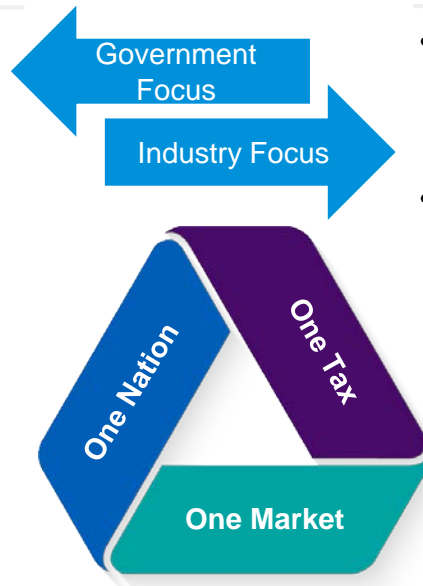
- Over 860 complains filed till Nov 18

- **Relief for exporters as special GST refund drive rolled-out**

- **Advance Ruling to provide clarification:**

- Plethora of rulings issued (at times conflicting)

- **Petroleum products kept out** – Govt mulling to include under GST



- Thrust on **clearing old backlog** such as assessments and litigations

- **Ensuring closure of FY19:**

- With minimum lapses and loss of credits
- Mapping credits and automate compliance to handle annual return
- Handling GST Audits and assessment

- Trade Bodies proactive in making **representation**

- Companies resorting to **Advance Ruling for seeking clarification**

India's Biggest Tax Reform still Evolving

# GST - Journey so far

## **Continuous Monitoring**

- Regular Change in law
- Updates through twitter
- Moving Goalpost

## **Robust IT System required**

- System driven compliances
  - No revision of returns
- Government ahead than industry

## **Key Learnings**

## **Receptive Government and Authorities**

- Various FAQ, Clarification issued
- Amendment in rates basis representation

## **Focus on Data analytics**

- E-way bill implemented
- Notices on 2A vs 3B
- Focus on revenue leakage

# Challenges During Last Year

## Amendments and Rulings

- Restriction on refund of IGST paid on exports, if Advance Authorization benefit availed
- Relaxation of pre-import condition for import against Advance Authorization, post significant representations
- Retrospective reversal of cess credit transitioned
- Restriction of credit on post sale discounts
- GST applicability on ocean freight

## E-waybill

- Confusion prevailing on need of e-waybill
- Clerical errors have led to goods being detained
- Delay in delivery of goods coupled with litigation cost hampering business



## Vendor Mismatch

- Significant mismatches in vendor information
- Mismatch on account of multiple reasons – non accounting of invoice, incorrect GSTN or POS, taxable value, invoice no.
- Availing credit of reimbursements made to agents / airlines
- Integration of ICEGATE and GST portal yet to be done – manual reconciliation of GST paid on imports
- Extension of due date for FY 18 till March 2019 brought some relief
- However, due date for FY19 still remains – September 2019

# Impact on Supply Chain

## **No Restrictions on Procurement sources**

Post GST, Companies have shifted procurement sources, if benefits available as compared to existing procurement sources

## **Network Optimization**

Companies have identified optimization of warehouses - though implementation has been slow in a phased manner

## **Faster movement of goods**

Removal of state barriers / check-posts has avoided long queues and faster movement of goods

## **Inventory Optimization**

Opportunity to optimize inventory at different warehouses, so as to reduce inventory holding costs

## **AEO Benefits**

Tangible benefits extended to importers & exporters such as:

- Facility of deferred tax payment
- Refund granted within 45/ 30 days
- Document scrutiny waived
- BE / SB's processed faster
- Higher level of facilitation than others

Significant increase in warehousing space expected over next 2 years, including setting up of Multi-Modal Logistics Parks

# What to Expect

**1** Increase in threshold limit for GST registration may see many small suppliers opting out of GST

**2** Composition Scheme introduced for service providers (annual turnover upto INR 50 Lakhs with GST rate 6%) will increase cost of procurement

**3** Place of supply for transportation of goods outside India will impact credit availment – increase in cost

**4** Vendor compliance continues to be a problem – non payment of tax / delay payment of tax / non filing of returns / delay filing of returns will impact cash flow

**5** Reconciliation of e-waybill details with information filed in returns – can lead to penal consequences

**6** New compliance mechanism and availment of credit process will impact cash flow

# Proposed Compliance Process

New return filling process and forms introduced. The effective date for the same has been deferred with no further clarification:

New Return Procedure

## Form GST ANX 1

Outward supplies including import and RCM to be uploaded up to 10<sup>th</sup> of following month

## Form GST ANX 2

Documents uploaded by supplier will get reflected immediately and credit on the same can be availed till 20<sup>th</sup> of the following month

## GST RET -1

Summarized details reported in Anx -1 and Anx -2 will be uploaded and auto computed tax liability to be discharged

Only credit appearing on portal and accepted by customer will be available as credit



# Next on Government Agenda

Introduction of new Compliance process shall simplify returns and facilitate real time credit reconciliation



**Compliances**

Impact of elections on GST reform



**Political Impact**

GST rates to be rationalized and restrict 28% slab for sin or luxury goods including cement



**Rate rationalization**

Increased demand for bringing five petroleum products under GST Regime



**Petrol under GST**

Converging direct tax, transfer pricing and GST related aspects



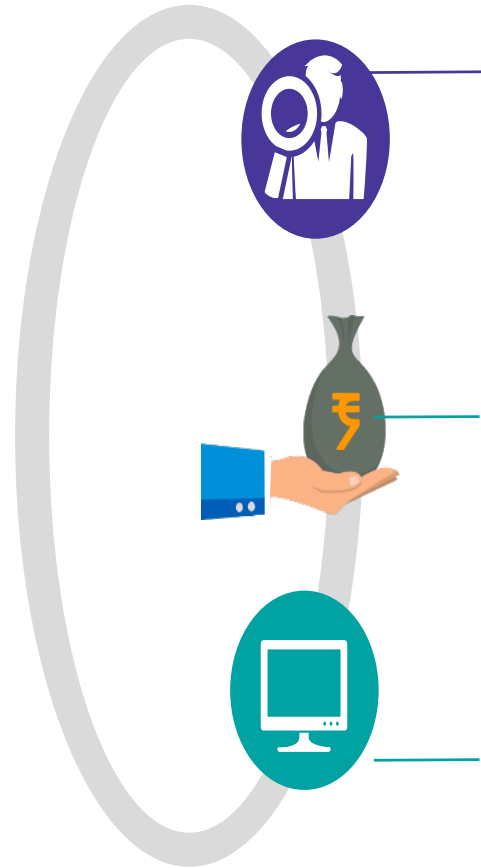
**Convergence**

Government using analytics to study revenue trends to analyze reasons for deviation in targets



**Data Analytics**

# What Needs to be Done



- Vendor compliance / discipline will be crucial to ensure timely availment of credits
- Non-compliance by vendors can lead to credit loss
- Vendor selection criteria will have to be relooked at
- Commercial measures can be adopted in case of default by vendors

- Explore opportunities to optimize distribution network, inventory
- Explore benefits available under AEO scheme (Tier 2 certification)

- Strengthening of internal processes – timely tracking of input tax credits – use of technology (bots)
- Reconciliation of GST paid on imports with credits availed in returns
- Reconciliation of e-waybill data with GST returns
- Use of analytics to review loss of credits / non compliance



# Thank you

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