

## GST - Proposed Reforms & Road Ahead

The All India Glass Manufacturers Federation (AIGMF)

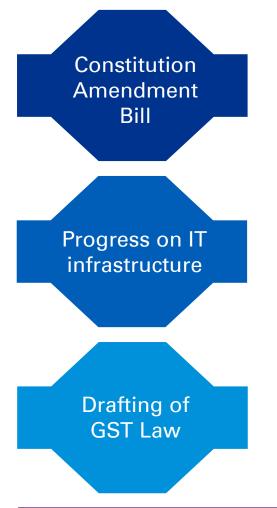
December, 2015

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## Progress so far



- Passed by Lower house of Parliament, pending before Upper House
- Convergence of views on disputed issues between ruling and opposition parties
- Bill likely to be passed in the Budget Session of Parliament
- GST Network (GSTN) formed, responsible for IT readiness before GST
- Funds allocated to State Governments for IT up-gradation
- Large Indian IT Company selected for GST portal implementation; expected completion date 31 March 2016
- Model GST legislation drafted and shared by Central Government with States
- Four official draft documents on registration, payment, refund and return process released in October 2015
- First cut of draft law available in public domain

#### **GST** implementation likely from July/October 2016



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### Proposed structure

Framework

Dual GST for Centre and States, IGST on interstate transactions

Additional 1% tax proposed on inter-state supplies of goods

GST liability to be triggered basis time of supply & place of supply Excise duties/ Service tax/ CVD/ SAD

Coverage

VAT/ Entry tax/ Octroi/ Purchase tax/ Entertainment tax/ Luxury tax

Cesses & Surcharges on goods & services supply

Varying rates proposed,

**Rates** 

no final consensus yet

Concessional rate for select goods (not for services)?

Free credit flow - No cross credit between CGST & SGST;

Order of utilisation of IGST



## Multiple Rate structure - No final consensus yet

#### Chief Economic Adviser led panels' recommendation

- Revenue neutral rate of 15%-15.5%
- Standard rate of 17% to 19%, with a lower rate of 12% for essential goods and higher (demerit) rate of 40% for luxury cars, tobacco products
- Removal of 1% additional tax

#### Rates proposed by NIPFP to sub committee

- 16 different rates scenarios, including a two rate GST, three rate GST and four rate GST
- Rates of 14%, 16%, 20%, 24%, 27% suggested in the report

### Rate unlikely to be made public before a date near to implementation & Socio-political consideration expected to be key driver



### GST registration - Key aspects

Separate registration (CGST/ SGST/ IGST/ Additional Tax) for each State – No common CGST registration/ credit pool

Option to take multiple registrations within State for different business verticals

Several types of registration – Regular, Compounding, Non-resident, etc.



### GST returns - Key aspects

Monthly returns prescribed with separate dates for uploading purchase details, sales details and consolidated return

Separate returns for Input Service Distributor, Tax deduction at source

Annual returns to continue; no provision for revision of returns



### GST refunds - Key aspects

Exports - Upfront duty exemptions to be converted into refund – Adverse cash flow implications

No refund of accumulated credit

No option to self-adjust in case excess payment





# Key impact areas

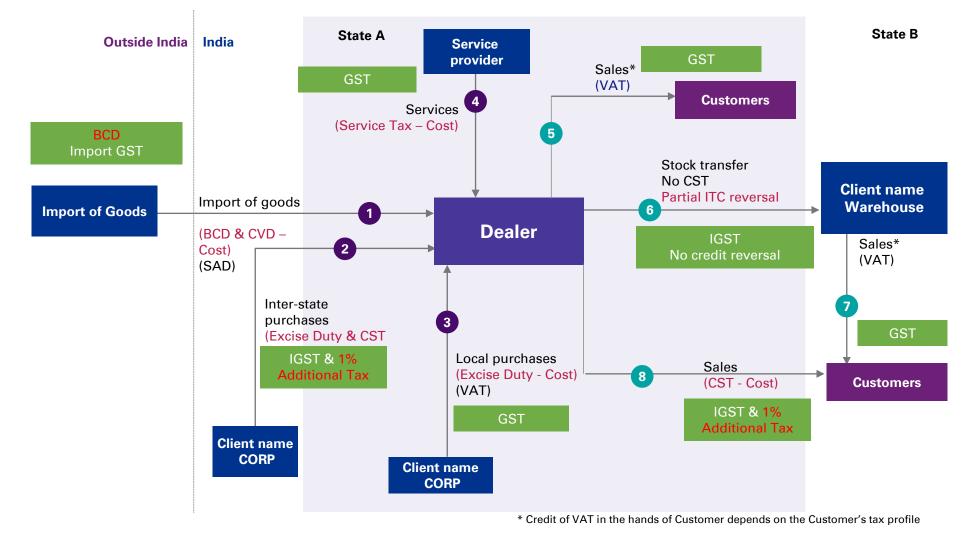
### Multifold impact of GST





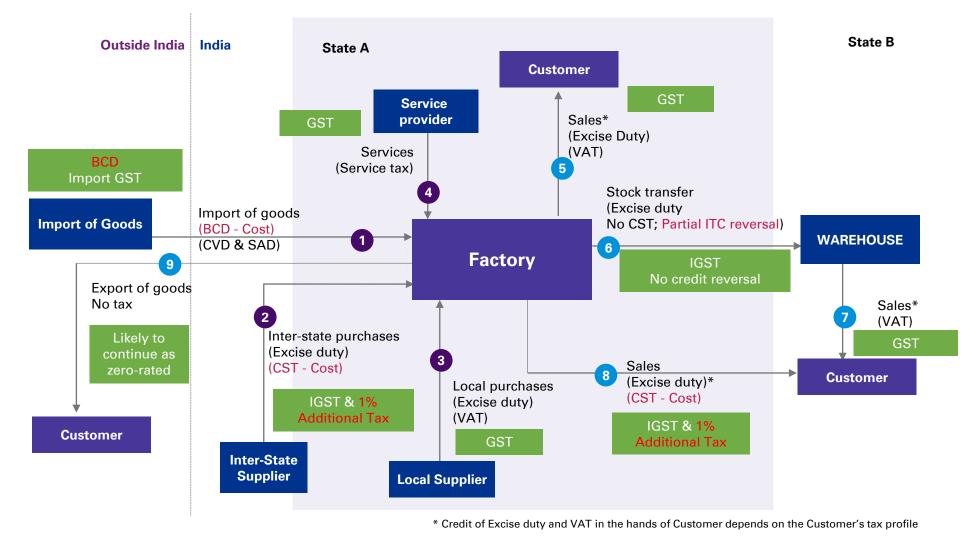
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## Current Tax Regime & GST Impact - Trading





## Current tax regime & GST impact - Manufacturing





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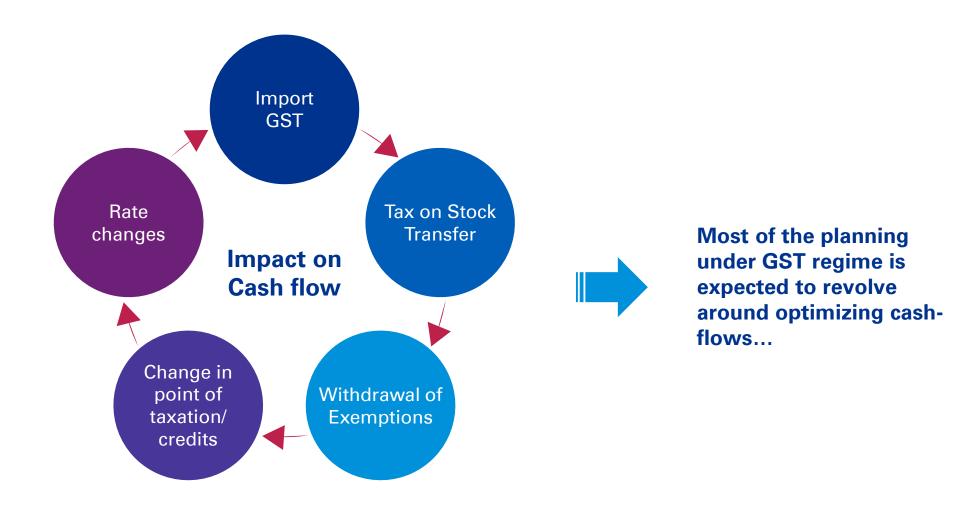
### Change in tax rates

	Present	Under GST*
Glass and Glassware	Excise Duty – 12.5% VAT – 14.5%	~ 20% to 22%
((,, )) Services	14.5%	~ 16%/18% or 20%/ 22%??

#### \* Without factoring 1% additional tax on Inter-State supplies of goods



## Cash flow impact





### Other impact areas

Transaction based valuation (like value or computed value in other cases), Free of cost supplies subject to GST & no deduction on post sale discounts

MRP based valuation adopted for supply to a non-taxable person

GST would be on all supplies of goods and services:

• Barter, exchange, stock transfers, services within entity subject to GST

Product/ transaction specific exemptions/ concessions (e.g. Form C) could loose significance – As GST based on minimal concessions/ exemptions





# Way forward

### Preparation for GST: What companies need to do now...

Set-up a core GST Committee – having representatives from Finance, Supply Chain, IT and Marketing teams

#### Impact assessment

- Fiscal

— IT

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- Supply chain
  - Contract
  - Specific business aspects
  - Revisiting the business plan

Create awareness across business functions by sensitizing all stakeholders

Advocacy – Preparation of detailed paper covering relevant tax issues and their representation with respective policy makers

Drawing up a detailed implementation plan to be GST ready and to ensure business continuity.



2B



## KPMG approach

## The KPMG way

Approximate timelines

Phase 1Phase 2Phase 3Impact assessment and implementation planningRevalidation and business optimisationGST transition assistanceGST to go live2 to 3 months3 to 6 monthsFiscal / Supply Chain/ IT Systems/ Sales, Marketing and other functions-Evaluate overall impact of GST on relevant functions-Refine hypothesis and approachPost-implementation Reviews/ Audits-Establish strategic / tactical options along with "value on the table"-Refine hypothesis and approachPost-implementation relevant functions-Identify challenges/ issues and risk mitigation strategies-Refine hypothesis and approachPost-implementation restration plan-Establish strategic / transition plan-Refine hypothesis and approachPost-implementation restration feasibility & cost benefit-Post-implementation refinement-Establish strategic / tactical options along with "value on the table"-Refine hypothesis and approachPost-implementation refinement-Identify challenges/ issues and risk mitigation strategies-Revelop high level transition planStakeholder-Develop high level transition planStakeholder	Pre- GST legislation	Post GST legislation			
Impact assessment and implementation planning       Revaludation and business optimisation       GST transition assistance       live         2 to 3 months       3 to 6 months       Ive         Live         2 to 3 months         Fiscal / Supply Chain/ IT Systems/ Sales, Marketing and other functions         -       Evaluate overall impact of GST on relevant functions       -       Refine hypothesis and approach       -       Establish implementation feasibility & cost benefit       -       Post-implementation Reviews/ Audits         -       Establish strategic / tactical options along with "value on the table"       -       Finalize detailed transition plan       -       Firm up and deploy end-state operating model       -       Operating model refinement         -       Identify challenges/ issues and risk mitigation strategies       -       Trainings and workshops       -       Trainings and workshops	Phase 1	Phase 2	Phase 3		
<ul> <li>Fiscal / Supply Chain/ IT Systems/ Sales, Marketing and other functions</li> <li>Evaluate overall impact of GST on relevant functions</li> <li>Establish strategic / tactical options along with "value on the table"</li> <li>Identify challenges/ issues and risk mitigation strategies</li> <li>Develop high level</li> <li>A Refine hypothesis and approach</li> <li>Refine hypothesis and approach</li> <li>Finalize detailed transition plan</li> <li>Firm up and deploy end-state operating model</li> <li>Systems/ Compliances/ Process migration</li> <li>Trainings and workshops</li> </ul>			>	<u> </u>	
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## Our GSI experience



### Our GST Experience



















PHILIPS sense and simplicity

A Large Automobile manufacturing Company DAIMLER



## Our GST Experience (contd.)















Kimberly-Clark











### Our GST Experience (contd..)























# Thank you

### Gaurav Gulati Associate Director, KPMG

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