

### **Introduction:**

Under the proposed structure of GST, state-wise output GST liability and input GST credit register will be required to be maintained vs. current centralized structure. IT system will be required to support multiple GST returns, to generate invoices which are GST compliant (subdivision of tax into three segments of CGST, SGST and ISGT) and capture input taxes as well as output liability for all such states where service units of the companies may be required to register. The adjustment in IT System will require for almost every aspects of business particularly in supply chain management, finance and accounts, sales and marketing etc.

The software or IT systems has brought revolution in every functional and nonfunctional areas, the accounts management system also benefitted out of this revolution. IT system has simplified the accounting systems and made it more fast and accurate, these modules has been reduced work of accounts department by 90-95%, they require only 5% input information and done rest of work automatically.

One of the biggest impacts of introduction of GST will be on the IT structure of an Organisation. This would be in terms of both, time and effort involved.

### **Functions of an efficient IT System in GST:**

The IT system is the backbone for any business. Any small or large business need to depend largely on their IT Systems for managing their business operation in order to bring smoothness, efficiency and punctuality.

There are separate modules created by IT companies to support separate business functions and integrate them in one package, wherein one transaction is entered as an input information and get its overall impact that transaction in every aspect of business in real-time.

**Any software application (IT System) developed for the purpose of managing Indirect taxation must have the following features once GST is launched:**

1. Pre-defined Tax-Classifications for Supply of Goods and Services;
2. Facility to create separate GST ledgers for Intra-State and Inter-State transactions
3. CGST/SGST/IGST ledgers with Classifications for input as well as output GST
4. Facility to print tax invoice
5. Complete tracking of each transaction till generation of returns
6. Better Returns management as per GST regime
7. Facility to Drill-down the various GST classifications from GST Computation report till the last level of voucher entry
8. Generating various GST Returns and Annexure
9. Generating GST Computation report with details pertaining to:
  - (i) The value of transactions recorded using the classifications available for GST;
  - (ii) Increase/decrease in input/output GST on account of adjustment entries made using the GST Adjustments available on using the voucher class created for journal voucher

## Possible Challenges for IT teams in organizations and Software Vendors:

- ❖ The current software application used in any organization for managing Indirect Taxation is usually an ERP such as SAP, Oracle EBS, PeopleSoft, Infor, etc.
- ❖ These applications have already undergone many structural changes for accommodating various legislative requirements
- ❖ But with the implementation of GST, the existing IT framework will need to undergo many significant change in terms of its tax modules
- ❖ During the GST regime, every taxpayer will be allotted a State-wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN).
- ❖ The existing registration numbers pertaining to VAT, Excise, Service Tax and other registrations will no longer remain relevant
- ❖ Therefore, the need for aligning the IT Systems according to GST as per the following scopes will be inevitable:

### 1. Master Data

The Master Data involves the details of vendors, customers, products, tax rates, etc. The registration detail of vendor, customers, and the taxpayer will be changed as the all of them will require to obtain GSTIN.

The taxes applicable on goods and services will be segregated into three different categories:

- CGST,
- SGST, and
- IGST

The tax details in master data will also be required to be adjusted accordingly.

### 2. Transactional Data

The major tax transaction data like Offset, credit clearance, credit on hold, credit suspense, General Ledger Account for Personal Ledger Account Bed, etc. will also be adjusted in accordance with SGST/CGST and IGST.

The inter adjustment and setoff order among these three will also be integrated in logic of the Module.

### 3. Reporting Data

Data/information required for internal reporting or returns filings will also undergo change substantially. The current details required to be presented in terms of the various taxes paid, credits available, etc., will undergo change.

Also, information required for filing various returns such as GSTR-1, GSTR-2, etc. will have to be more accurate and capture the requisite details that will be needed to file these returns.

The GSTIN will also maintain three real time ledgers which are:

- ITC ledger,
- Cash ledger, and
- Liability ledger

Therefore, the tax module in the IT Systems should be made capable for verifying and reconciliation of the values automatically.

## 4. Financial Data

The financial data shall incorporate all elements of Goods and Service tax, GST recoverable, payable, recovered but not paid, etc.

The treatment given to the taxes on expenses and assets would change, as credits of the same would be available and will impact the financial data and reports.

Also the number of the codes in the IT system, pertaining to different taxes and tax rates, could be substituted with CGST/SGST and IGST.

## 5. Contract Relating Data

In certain cases, there could be limits defined in the ERPs with respect to:

- Contract values,
- Budgets, and
- Approvals

Such limits will be required to be adjusted after analyzing the impact of GST.

## 6. Tax Rules

The tax computation rules in the current software applications (IT Systems) such as ERP, etc. will be required to be redefined once GST is being launched.

Examples:

- 1) Currently, during the event of manufacturing and sale, both Excise Duty and VAT are being levied on the value including excise duty. During GST regime, tax will be levied on the value involved.
- 2) Currently, VAT is not applicable on stock transfers of goods. During GST regime, such transfers may attract IGST on the stock transfers.

### Conclusion:

Apart from the changes discussed, the new/customized/upgraded IT System deployed by organization for managing GST, must have strong features which facilitate migration from present regime to GST regime thereby ensuring smooth transition of Indirect tax system in any organization.

But in reality, transition from the current IT System to the new/customized/upgraded software application will not be seamless. There could be multiple challenges for the IT team in the organization and the software vendors.

The best possible solution could be relying on a stand-alone Tax and Compliance Automation solution which can be more effectively and easily reshaped for managing GST.