

Tech to be the backbone for GST implementation success

By Vinay Sethi, Head of Market Development for Global Tax, Thomson Reuters (India)

The GST council has held multiple meetings and has finalized its recommendations on almost all the issues during the course of the last year. In its recent meeting, it has also resolved the issue of compensation to states for any loss of revenue. With this, we have moved closer to GST implementation, which may be rolled out from July 2017.

GST promises to change the way India does business and give a major fillip to the Indian economy. While new tax regime will be a big boost for Indian corporations, its implementation is being seen as a challenge. After the GST is rolled out, a crucial factor in ensuring its smooth implementation will be a robust technology infrastructure.

GST is a destination and consumption based tax which means that the state where the goods or services are finally consumed will receive the taxes. At present, the indirect tax structure is quite complex which levies varied taxes on one particular good/service depending upon factors such as manufacturing, selling, movement etc. GST is going to replace most of these indirect taxes levied by central and state government for goods and services creating a common market and reducing cascading effect of tax drastically.

However, many questions still remain unanswered such as 'How will GST be implemented?' 'How will the government action a smooth transition to GST?' 'How will business processes change after GST?' 'How will the Government ensure smooth compliance on an ongoing basis?' 'How robust will be the reconciliation process?'

Answer to most of these questions lies in deploying the right technology. Technology has always played an important role in ensuring tax compliance across multiple systems. An effective way of ensuring end to end GST transformation would be to deploy right tax technology and infrastructure which takes into account multiple GST requirements catering to varied geographies and businesses.

An efficient tax technology can help address:

Determination of Tax: Companies need to introduce a system which can facilitate calculating right amount of GST and take in account all rules set out by the Government. This is where 'tax-engines' – which merge tax content and tax technology play a crucial role. These engines have a central platform which connects all source systems and has inbuilt logic, rules and content which are kept updated to ensure transactions are taxed appropriately.

Compliance: The step that comes after arriving at the correct tax amount is to prepare and file the returns accurately. . In GST regime, , companies will have to make sure that there are periodic updates/uploads of sales and purchase data with reconciliation for tax payments and credits. There will be a need of reconciliation for both supplier and recipient to bring about transparency and minimize tax evasion. Tax technology can help companies ensure such compliance.

Reporting and Analysis: Tax technology also plays a vital role in providing audit trail of transactions and required reports which are useful in internal analysis and audits.

In India, the transition from the existing indirect tax regime to GST will need a well-built technological infrastructure to help corporations remain tax compliant at all given points in time. Technology can substantially help organizations operating across sectors with different processes and business models, navigate smoothly to GST regime as India looks forward to kicking off a new chapter.

A report released by the World Economic Forum on the Ease of Doing Business Index showed that India's rankings had improved by 16 places to 39 in 2016, among 138 countries, from 55 last year. GST implementation will help in scaling up India's rankings in the global competitiveness index even further as technology will take centre stage for successful GST implementation across the country.