

Vertex Support of India GST Changes

India GST Changes at a Glance

- Most significant changes to the Indian tax system since independence
- Replacement of existing highly complex VAT system with a more streamlined Goods and Services Tax (GST)
- GST Network taxpayer portal established to provide for invoice upload and compliance reporting
- Third party GST Suvidha Provider or GSP program established that will provide taxpayers various services in support of GST Network interaction

India GST: Momentous Change

The proposed dually-controlled Goods and Services Tax (GST) system would impose levies on a taxation base shared between the Centre (i.e., the federal level) and India's states and Union territories. The new GST system would replace complex value-added tax (VAT) systems—which currently exist at the federal and state levels—along with a confusing collection of numerous additional duties and taxes. The long-anticipated implementation of this tax reform has required a massive rules-making effort with extensive discussions among government officials, business executives, tax and accounting firm leaders and other stakeholders.

While the expected move to a more straightforward tax regime is welcome to many, the proposed system differs in numerous and significant ways from the existing VAT regime. As such, complying with the new GST system will require considerable changes within tax departments, which will also face some new challenges.

What is Changing?

India GST is a single tax regime which applies to the federal, state and union jurisdictions across all of India. It is an input tax credit based system with four main jurisdictional components:

- **Central GST (CGST)** – Levy on supply of ALL goods and/ or services within a particular State, by the Central Government
- **State GST (SGST)** – Levy on supply of ALL goods and/ or services within a particular State, by the respective State Government
- **Union Territory GST (UTGST)** – Levy on supply of ALL goods and/ or services within a particular State, by the respective Union Territory Government
- **Integrated GST (IGST)** – Levy on ALL inter-State supplies of goods and/or services, by the Central Government

The possible rate structure is as follows. While product taxability has not yet been established, the rates are:

- **Exempt Supplies:** Nil-rate, zero percent supplies
- **Zero-Rated Supplies:** Exports and supplies to Special Economic Zone
- **5%:** Essential items
- **12% and 18%:** Standard goods and services
- **28%:** Luxury and sin tax items

In addition to GST, a cess would be levied on select demerit goods with a capped rate of 15%, with the possibility of a lower actual cess % of maybe 12%. In such a case, the total rate applicable would be 40% (i.e. 28% GST rate and 12% cess) for specified goods.

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Calculation and Content Support

Vertex® Indirect Tax *O Series*® is a global tax calculation platform that integrates with a company's worldwide financial systems to calculate the applicable transactional taxes on both sales and purchase transactions.

Vertex O Series will be able to accommodate the necessary changes via data updates without the need for disruptive program changes. All rules within Vertex O Series associated with the current India tax system will be expired and replaced by the new GST related rules. We expect to have five impositions in Vertex O Series for jurisdictions in India:

- CGST
- IGST
- Cess
- SGST
- UTGST

Along with adding impositions and rate schedules we will be making place of supply changes to support the GST—and if necessary we will adjust the logic should it differ in the final legislation.

The ability to quickly and efficiently adapt to worldwide tax regime changes, and ongoing changes to rates and rules within a regime, is one of the many reasons for integrating Vertex O Series into the order-to-cash and procure-to-pay process. This adaptability reduces the time and cost, as well as risk associated with worldwide global transaction tax compliance.

New Compliance Reporting Requirements

Concurrent with the calculation and content changes needed to support India GST is tax payer interaction with the Goods and Services Tax Network (GSTN) portal which is run by Infosys Limited for uploading invoices and the filing of returns. The level of transaction detail expected to be submitted is substantial and represents a major compliance challenge for taxpayers. Vertex provides a number of options to extract transactional detail to support the upload process.

As part of the GST Network rollout provision is being made for access via a choice of third party applications through secure GST System APIs. These third party service providers are known as GST Suvidha Provider or GSP that will provide taxpayers various services including registration of entity to uploading of invoice details to filing of returns.

Vertex Supporting Services

Vertex Consulting provides system implementation services with an unparalleled level of expertise to help you accelerate the start-up and maximize the value of your Vertex Indirect Tax system. More than 2,000 companies over the last 10 years have relied on our proven methodologies and invaluable knowledge base. Our consultants have worked with companies of every size, industry, and technical environment. And while no two implementations are alike, Vertex Consulting has developed proven methodologies and best practices to ensure success. Vertex Consulting provides:

- Thorough assessment of your tax processes and related technology
- Proven methodology with reliable project management
- System design, configuration, and implementation
- Custom integration development, as needed
- Specialized practices to meet the needs of retail and leasing companies, and SAP and Oracle technology environments

Optimize your software investment and benefit from the experience of other Vertex software implementations. Have confidence in the highest level of Vertex technology expertise to ensure success.

To learn more about our indirect tax solutions, contact a Vertex representative at **800.355.3500** or visit vertexinc.com.

About Vertex

Founded in 1978, Vertex Inc. is the leading provider of corporate tax software and services to automate, integrate, streamline or outsource tax processes for companies of all sizes, from small to medium-sized businesses to global multinationals. Vertex provides solutions for all tax types with industry-specific solutions for retail, communications, hospitality and leasing industries.

Vertex Global Headquarters

1041 Old Cassatt Road
Berwyn, PA 19312
United States
Phone: 610.640.4200
Toll-free: 800.355.3500
Fax: 610.640.5892

Vertex Global Tax Solutions LTD

30 Furnival Street, 3rd Floor
London, EC4A 1JQ
United Kingdom
Phone: +44 (0) 20 3906 7630
Reg. in England and Wales. Reg. No. 5982877

Vertex Global Tax Solutions Brasil Ltda.

Av. Dr. Chucri Zaidan, 940
16º andar – Market Place Tower II
04583-906 – São Paulo – Brazil
Phone: +55 11 5095.3433

Vertex Tax Solutions, India Private Limited

Level 6, Chennai Citi Centre
No. 10/11, Dr. Radhakrishnan Salai, Mylapore
Chennai – 600004
India

