Analysis and findings from GST Survey 2018-19

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The Goods and Services Tax (GST) was implemented on 1 July 2017. Over the last seven months the industry faced many obstacles and hurdles, in terms of getting ready for GST, pricing, transition of credits, IT systems, operational issues on obtaining refunds and filing of returns. The Government on the other hand tried to ease the GST processes over a period of time by rationalising GST rates, providing clarifications on various issues, simplifying the return filing process and providing relaxation on operational aspects.

We conducted a survey to gauge the Industry’s experience on GST implementation so far and present to you, our findings and the Industry’s expectations going forward.

Responsiveness of the government

- A large number of respondents have given a thumbs-up to the Government on taking adequate steps to respond to the Industry’s requests such as rate changes and providing clarity on rules and processes. This is evident given that the rates for majority of the goods/services were reduced to a more acceptable level, basis continuous requests from the Industry. Further, clarity on taxation of high seas sales, discontinuation of the process of submitting bonds for exports, paying tax on procurements from unregistered dealers was also provided, thereby easing the burden on the Industry.

- However, the Industry feels that training for GST officials could have been better, especially on a need of the helpdesk being more effective in resolving queries/concerns. Further, a majority of the respondents feel that the time given to assessees to implement GST related changes has not been sufficient and the notifications/circulars on changes should be issued well in advance.
Pricing

- Pricing under GST was one of the focus areas for the industry as well as the government. According to respondents, GST rates and tax credits on procurements were the key drivers for influencing the pricing decision. However, a majority of the respondents feel that pricing has primarily been neutral on account of GST and has not witnessed an increase as was expected.

Anti-profiteering

- Majority of the respondents feel that anti-profiteering provisions are not clear and the government should have laid down clear guidelines on how to compute the profit on account of GST, much before GST was implemented, so that adequate steps could have been taken by the assesses.

Supply chain

- With uniform taxation across the country, supply chain was expected to undergo a major change under GST, with rationalisation of depots and alternate procurement sources. As per majority of the respondents, GST has impacted their procurement and supply chain, with decisions now being taken largely on the basis of commercial aspects rather than tax, as was done earlier. However, the reduction in the number of depots for pan-India operations as was expected is still to occur.

Exports

- Exporters of goods and services believe that the benefits provided to them under GST is not adequate, with the refunds on exports not processed till date, leading to blockage of working capital. Further, withdrawal of
exemptions on procurement for export purposes have further increased the strain on working capital.

Transition provisions

- With respect to transition from the erstwhile regime to GST, a majority of the respondents feel that their concerns were taken care of, but expect problems around carry forward of credits of cess, and the eligibility to carry forward credit on stock lying at different locations. This concern is real, as many assessees have already received notices for review of the credits transitioned to GST and reversal of credit of cess carried forward.

Compliances

- The Industry faced major issues in meeting compliances, with the GSTN portal not functioning and deadlines being extended at the last minute. The respondents feel that the return filing process of GSTR1, GSTR2 and GSTR3 should have been postponed till the portal was fully stable. Further, the facility of revising the GSTR3B should have been allowed, given that assesses were not fully ready with data for meeting GST compliances.

- Almost all the respondents feel that the GSTN portal can be made more effective, by making the return filing utilities available much earlier rather than closer to the deadline and the error report being generated instantly in a clear manner. Also, the expectation is to expand the excel utility so as to capture all details required in the GST returns rather than having manual intervention for certain aspects.

- The respondents were unanimous on the increase in burden caused by the GST compliances, with multiple returns to be filed state wise at a
transaction level and matching sales and purchase data for the purpose of claiming credit. Also, capturing of the information required for filing the GST returns at a transaction level was the most time consuming aspect of getting the IT systems ready.

Overall, a significant majority feel that GST would have a positive impact on the Indian economy, especially with the availability of full credits on procurements and requirement of matching of sale and purchase data for claiming credits.

The Economic Survey 2017-18 has revealed robust GST collections and a large increase in number of indirect tax payers, majority being voluntary. With the encouraging data points from the Economic Survey 2017-18 and the first Union Budget post GST implementation just round the corner, Industry expects further rationalisation of GST rates and simplification of compliances.
Whether the Government has been taking adequate steps to respond to industry needs such as accepting the need to make changes to rate structure, provide clarity on rules, processes, guidelines etc.?

68% Yes
32% No
What could the Government have done better?

- Better industry outreach through Industry Associations: 52%
- More transparency of the findings of the sectoral groups formed by the GST Council: 43%
- Proper training of GST officers and making the help desk more effective: 64%
- None of the above: 6%

*Respondents could choose more than one option*
Are you satisfied with the time given to assessees to implement the GST Council’s decisions (such as changes in rate structure, rules, processes)?

- Yes: 45%
- No: 55%
- Others please specify: 0%
What could the Government have done better?

- Notifications/ Rules/ Clarifications should have been published much in advance: 69%
- Simultaneous issue of Notifications/ Rules/ Clarifications by Center as well as States: 34%
- Circulate the draft of Notifications/ Rules/ Clarifications for feedback from trade on critical matters: 57%
- None of the above: 7%

*Respondents could choose more than one option*
Are you satisfied with the deadlines given for GST compliances?

Yes: 51%

No: 49%
What could the Government have done better?

- Should have postponed filing of GSTR 1, GSTR 2 and GSTR 3 returns, till the GSTN network is made fully stable, and continued only with GSTR 3B till such time: 72%
- Should have kept facility of revising GST 3B returns: 56%
- Should have avoided extending the compliance deadline multiple times, as it creates uncertainty and confusion: 47%
- None of the above: 4%

*Respondents could choose more than one option*
Can the GSTN return filing portal be made more effective?

95% Yes

5% No
What could the Government do to make the GSTN portal more effective?

- **Increase the response time of the GSTN site, and reduce the downtime**: 67%
- **Make utilities available, and enable the return filing tab, much in advance, instead of making it available at a date closer to the deadline**: 64%
- **While filing of the GSTN return, the error report should be generated instantly, and error reporting should be more clear and easy to understand**: 71%
- **The excel utility should be expanded to capture all the details required in the GSTN return, rather than some information being filed from excel utility, and some information being manually punched in the GSTN site**: 62%
- **None of the above**: 1%

*Respondents could choose more than one option*
Are you fairly clear on the anti-profiteering provisions?

- Yes: 33%
- NA: 14%
- No: 53%
What could the Government have done better, with respect to the anti-profiteering provisions?

- **10%** Should not have implemented anti-profiteering provisions
- **70%** Should have implemented anti-profiteering provisions with complete computation guidelines being made available to the Industry even before implementation of GST
- **36%** Should have restricted anti-profiteering provisions to select sectors where B2C supplies are involved
- **9%** None of the above

*Respondents could choose more than one option*
Are the transition provisions addressing majority of your concerns relating to transition from the erstwhile indirect tax regime to the GST regime?

- Yes: 52%
- No: 41%
- N.A.: 7%
What is the main problem you face with regard to transition provisions?

- Interpretation of rules governing transition stock and transition credits: 38%
- Manage transition inventory at the distributor/stockists/retailer: 26%
- Clarity on computational aspects (such as eligibility to carry forward KKC, eligibility to carry forward credit on stock lying at various stock points): 45%
- Clarity on the availability of credit, against service tax export refund claims filed in the erstwhile regime, and are rejected under GST regime: 41%
- None of the above: 22%

*Respondents could choose more than one option*
Does the GST regime provide enough incentives to exporter of goods and services?

- Yes: 33%
- N.A.: 22%
- No: 45%
What has caused the biggest hardship to exporters of goods and services?

- Blockage of credit / working capital: 74%
- FTP provisions are not giving relief from GST: 24%
- Withdrawal of upfront exemption on sale made to merchant exporters: 33%
- None of the above: 11%

*Respondents could choose more than one option*
How has GST impacted the pricing of your products / services?

- Price to customer has increased: 33%
- Price to customer has decreased: 24%
- Price to customer has remained neutral: 43%
What was the main reason influencing the pricing decision?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST rate</td>
<td>48%</td>
</tr>
<tr>
<td>Tax credits on procurements</td>
<td>45%</td>
</tr>
<tr>
<td>Supply chain efficiency</td>
<td>26%</td>
</tr>
<tr>
<td>Vendors not passing on tax credits</td>
<td>31%</td>
</tr>
<tr>
<td>None of the above</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Respondents could choose more than one option*
Has GST impacted your procurement / distribution supply chain?

Yes
57%

Maybe
14%

No
29%
How has GST impacted your procurement / distribution supply chain?

Supply chain decisions are now being taken largely on commercial parameters rather than tax parameters.

<table>
<thead>
<tr>
<th>Reduction of depots</th>
<th>Reduction in freight cost</th>
<th>Increase in freight cost</th>
<th>None of the above</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>5%</td>
<td>9%</td>
<td>54%</td>
</tr>
<tr>
<td>40%</td>
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*Respondents could choose more than one option*
Has GST increased the burden of compliance?

- Yes: 87%
- No: 13%
What has caused the increased compliance burden under GST?

- Multiple returns to be filed state wise: 69%
- Requirement to file transaction level details in GST returns: 59%
- Requirement to match purchase and sale data between seller and purchaser, for claiming GST credit: 75%
- None of the above: 10%

*Respondents could choose more than one option*
Are you satisfied with your company’s IT system readiness to comply with GST requirements?

Yes 56%
No 44%
Which of the following is taking most time while configuring your IT system?

- Capturing master level data: 32%
- Capturing transaction level data: 49%
- Generating transaction reports to prepare GST returns: 65%
- Preparing GST returns: 49%
- None of the above: 8%

*Respondents could choose more than one option*
On an overall basis, do you think that GST is likely to have a positive impact on India?

- Yes: 93%
- No: 7%
Which features of GST are likely to have a positive impact on India in the long-term, despite initial obstacles faced by the Industry in implementing them?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement to match purchase and sale data between seller and purchaser for claiming GST credit</td>
<td>58%</td>
</tr>
<tr>
<td>Allowing credits on interstate purchases and stock transfers</td>
<td>59%</td>
</tr>
<tr>
<td>Reduction in the list of exemptions / concessions to eliminate tax anomalies and create a level playing field</td>
<td>51%</td>
</tr>
<tr>
<td>Requirement to file transaction level details in GST returns</td>
<td>37%</td>
</tr>
<tr>
<td>None of the above</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Respondents could choose more than one option