

GST Preliminary Impact study programme Program

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1	Name of the concern	
2	Address of the concern	
3	Contact persons	
4	Phone numbers	
5	E-mail Id	
6	Nature of business	
7	Review team	
8	Date of commencement of review	
9	Date of conclusion of review	

Sl. No.	Particulars	Yes / No	Remarks, If any.
A.	UNDERSTANDING OF BUSINESS		
1.	Review of AOA/MOA to know the objectives of the business		
2.	Review and understanding of present and future business plans to ascertain GST impact		
3.	Assessing the business first hand by visit to place of business including branches		
4.	Review of historical financial statements for last 2 years- (including upto TB level)		
5.	Review of forecast balance sheet, cash flow and income statements for 2 years		
6.	Review of product / service data sheets and literature		
7.	Review corporate structure of organisation in India and abroad		
8.	Identifying the places of business, if multi-location presence [Branches, depots or other places from which goods/services are provided]		
9.	Understanding the industry, major competitors and various business process as prevalent in the industry		
10.	Evaluating the perception of customer/vendors/other stakeholders on likely impact of GST on business		
11.	Understanding various policies in the entity such as retention of money from customers and repayment policy, Guarantee / warranty / replacements		
B.	REVENUE / SALES / SERVICES		
13.	Review of Profit & Loss account to ascertain		
	a. Sale of goods Manufactured / Traded		
	b. Goods cleared in DTA / Direct exports / Deemed exports		
	c. Exemptions / Abatements claimed / Concessions / Composition scheme		
	d. Sale of tools / dies / fixtures without actual removals		
	e. Services provided in DTA / Exports		
14.	Review of system of advance receipts to study programme implication under GST		
15.	Review of treatment of sales return to study programme implication under GST		
16.	Review of discount policy in organization and impact under GST		
17.	Review the client base of the organisation to ascertain GST implication including impact based on place of supply principle in GST		
18.	Identifying the cases of notional supply (supply without consideration) including free supplies , samples and implication in GST		
19.	Inter unit recoveries made i.e. from HO to branches, one branch to another and branch to HO		
20.	Identify the major customers/clients to trace the realizations to study programme the implications under GST. Suggestion on changes / modifications if any.		
	Review of various modes of supplies of goods and services such as		

21.	- Stock transfers to depots / warehouses / godowns / branches		
	- Samples		
	- Exhibitions		
	- High Sea sales		
	- Transit sales		
	- Sale through consignment agents		
	- Leasing / rentals		
	- Works contract		
	- Sale from job worker's place		
	Supply of services to other branches		
22.	Ascertain impact on sales supply chain / distribution model under GST law		
23.	Ascertain requirement / non-requirement of various sales / Service offices / branches		
C.	PROCUREMENT OF GOODS AND SERVICES		
24.	Review of procurement policy of the organization including imports		
25.	Review the nature of services and goods procured by segregating the expense under following categories:		
	● Expenditure presently taxed at full rate		
	● Expenditure presently taxed at concessional rate		
	● Expenditures presently liable under reverse charge		
	● Expenditures presently not liable to tax		
26.	Review whether procurements are made through registered dealer/manufacturer/service provider / unregistered dealers and impact under proposed GST.		
27.	Analysing the possibility of suggesting vendors for better pricing and cost reduction in GST considering anti-profiteering clause in GST		
28.	Review of procurements made under intra-state / interstate / import to study programe impact under GST		
29.	Review the purchase and expense invoices on sampling basis to study programe impact under GST with respect to taxations and credits for smooth transition of credits		
30.	Identify the transactions on which no tax being paid under current system of taxation and impact under GST		
31.	Review of financial ledgers to ensure that the Cenvat credits / VAT input tax setoffs are taken on all eligible purchases under existing system of taxation. If not reasons to be ascertained considering impact under GST		
32.	Review of treatment of purchase returns to study programe the possible impact under GST		
33.	Review the foreign currency payments to ascertain impact under GST		
34.	Ascertain possibility of better purchase planning during transition		
D.	OPERATIONAL / ADMINISTRATIVE		
35.	Review the credit policy of the organisation. This could have significant impact on cash flow especially if the policy with vendor and customer is not synchronised		
36.	Review the system of recognising sales / services and system of invoicing customers		
37.	Review the present classification policy of goods manufactured / services provided		
38.	Review present valuation mechanism adopted and impact under GST on valuation		
39.	Review the services provided free of cost or free issue of materials		
40.	Review of job work register to identify the process outsourced		
41.	Review the security registers to find out cases of goods removed on non-returnable basis without sales/excise invoice to identify the system followed and possible impact under GST		
42.	Review of accounting and billing system (Centralised or De-centralised) followed and impact under GST		
43.	Review if Centralised registration obtained under Service tax and impact under GST		
E.	FINANCIAL STATEMENTS REVIEW		
44.	Review the shareholding pattern by investment by group companies / associated enterprises		
45.	Review of employee / director/ partner benefits provided which could be treated as supplies and have impact under GST		

46.	Review of credit accumulations if any and option exercised for encashment of the such credits		
47.	Review current ratios		
	- Cenvat credit to total liability		
	- Export sales to Total sales		
	- Cash payments to Total tax payments		
48.	Review the statement of cash flows and analysis of possible impact on cash flow due to GST		
49.	study programeing the nature of accounts maintained by the organization		
50.	Review the journal register to find out cases of stocks written off /destroyed or stocks transferred to trading or other units/branches etc. and reviewing the policy related thereto		
51.	Review of taxes under refund / rebate claim		
52.	Review of stocks in trade at all business places including job worker's place and impact of credits		
F.	INFORMATION TECHNOLOGY		
53.	Review and identifying software/s presently being used at various divisions of organisation		
54.	Review system of integration of different software with each other		
55.	Review system of integration of data from various business locations across India		
56.	Review the agreement entered with the software vendor to check policy of regular updates, modification of parameters		
57.	Review the existing controls established to prevent alteration of information in the records and importance of the same under GST regime		
58.	Review of following systems and suggesting changes which may be required under GST		
	- Customer master process		
	- Vendor master process		
	- Tax master process		
	- Purchase master process		
59.	Advising on importance of strong IT system under GST regime and arrangement with IT vendor with respect to modification of tax structures, requirement of various reports		
G.	REVIEW OF VARIOUS REPORTS		
60.	Review of following to ascertain the issues pertaining to indirect taxes and level of compliance: -internal audit reports - Information system audit report - Internal Financial Control (IFCR)		
61.	Review of last 2 year audit reports under VAT laws and level of compliance		
62.	Review of status of various online statements to be submitted with VAT authorities such as eUPASS in Karnataka which would be relevant for issuance of CST forms such as Form C, Form H and Form I		
63.	Review of MIS reports, if any		
H.	REVIEW OF AGREEMENTS / CONTRACTS		
64.	Review of agreements to identify important clauses with customers or vendors which could have major impact under GST		
65.	Advise on major implications and precautions to be taken considering the transition provisions under GST		
66.			
I.	STATUS OF DISPUTES WITH TAX AUTHORITIES		
67.	Review of ongoing litigation files to understand the issues		
68.	Review the excise correspondence file to evaluate issues that can arise or have arose in the past		
69.	Review the service tax correspondence file to evaluate issues that can arise or have arose in the past		
70.	Review the VAT correspondence file to evaluate issues that can arise or have arose in the past		
71.	Review the Customs correspondence file to evaluate issues that can arise or have arose in the past		
72	Steps to be taken to intimate all the authorities about changes taken place in the busniess so that all correspondance from them are received		

73.	Suggestion on measures to be taken considering transition provisions		
J.	ASSESSMENT OF TRAINING REQUIREMENT		
74.	Understand the level of knowledge among various department's head		
75.	Review of the training modules of the organization and suggestion considering GST law		
76.	Understanding requirement of training for vendors / contractors		
K.	TAX CREDITS		
77.	Review nature of expenses incurred under present law viz a viz under GST to assess impact of overall differential credits		
78.	Transactions of personal nature where credits being disallowed		
79.	Nature of customer/vendors of the entity to ascertain the extent to which they are organised as it could have impact on the credit available for disposal		
80.	Review of credit availment mechanism and suggest on improvement requirement		
L.	SUPPLY AND DISTRIBUTION CHANNEL		
81.	study programe the distribution channel presently employed to determine underlying factors for choosing particular model		
82.	If the distribution channel is guided by tax inefficiency under present tax regime, the extent to which anomaly is being rectified in proposed GST. Whether the change necessitate the need to alter/modify/change the supply chain or distribution model presently being followed		
M.	TRANSITION PROVISIONS		
83.	Review of registrations obtained for various place of business and status to ascertain impact under GST		
84.	Review of Cenvat credit / VAT input credit availed on inputs / input services / capital goods and disclosure in returns to ascertain impact under GST		
85.	Review of schemes opted under VAT in various states and impact under GST		
86.	Review of systems followed with respect to goods sent for job work and impact under GST		
87.	Review of systems followed with respect to finished goods received back from customers and impact under GST		
88.	Ascertaining possibility of planning present purchases for better transition		
89.	Review of existing litigations pending and action point required for smooth transition in GST		

GST Review Team

Review partner

Signature with Date

Signature with Date

Note 1: Only Model GST Law 2016 along with reports on Registration, Refund, Payment and Return has been released in public domain. There are various aspects which are pending to be prescribed. The impact study programme would be based on these reports and model law.

Note 2: This program is indicates areas to be covered. Auditor may need to prepare a checklist on many of the above. For Example. Checklist for Sl. No. 13 (a). Sale of goods Manufactured

Sl. No	Particulars	Remarks	Verified By
1	Understand the sale patterns 1.Direct sales 2.Depots 3.Agents 4.On approval basis 5.Support after sale like installation etc. Understand the purpose of sales through warehouse considering cost of compliance, clients requirement, rent etc.		
2	Whether activity carried out by entity falls within the definition of service/goods. (as defined under the GST Act)		

3	Distinguish the definition of service as existing under service tax law and compare the same with new definition to examine if any activity carried out by auditee which presently may fall in the exclusion clause of definition of service but covered by service definition under GST		
4	Examine the revenue stream of the entity to evaluate whether there is "supply" as per definition of supply given under GST Act.		
5	Check whether the activity of the assessee fall under schedule - III which is not considered as neither supply of goods or supply of service.		
6	Identify activities which are considered as "supply" under GST but not considered as "rendering of service/manufacturing/sale" under existing Indirect Tax laws. Impact of the same. Illustrative cases: 1. Supply of goods / service by one branch of an entity in one state to another branch of same entity in different state 2. Supply of goods from one location to another location for captive consumption (Mainly interstate transfers)		
7	There is need to understand the transaction, whether a composition nature or mixed supply?		
8	Ascertain system of identifying interstate sale, sales within state sales etc. to assess impact under GST		
9	a) Examine applicability of all Indirect Taxation on various revenue stream of the entity (excise duty, service tax, VAT, CST) product/service wise b) Examine the exemption details and capture the details		
10	Check if there are removals as stock transfers / samples / exhibition / testing / job work etc. If yes, ascertain present IDT and GST impact.		

Acknowledgements

Study contributed by Indirect Taxes Committee of ICAI. For any queries you may connect Indirect Taxes Committee at idt@icai.in