SAP GST - Goods and Service Tax – India

Smajo - Rapid Start & Road Map
Agenda

• Setting the Context
  • GST Introduction
  • Objectives – Impact, Current Status, benefits

• Tax Structure in India
  • Existing Tax Structure in India
  • Proposed Tax Structure in India

• Technical Specifications
  • SAP Requirements
  • Impact on Business Processes

• GST Implementation Methodology
  • Company profile
  • GST – Expertise, Enablers, approach
  • High Level Solution approach
  • GST – For Companies not on SAP recommended Patch level
GST - Introduction

• GST (Goods and Services Tax) is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India.

• Levied and collected at each stage of sale or purchase of good or services based on the input tax credit method.
GST – Benefits

- Fewer Taxes
- Fewer Tax Rates and Exemptions
- Improved Tax Compliance
- No Cascading of Taxes
- Broadening of Tax Base
- Common Market across Country
- Optimise Resources
- Improved Financials
GST – The Smajo Approach

Why SMAJO:

- SAP GST Implementation impacts entire business operations within your organization (Sales, Purchase, Finance).
- **End-to-End GTS Solution approach along with connectivity to the GSTN network (Impact assessment to GST return filings through the GSTN Network)**
- **Automation of GST Returns, reconciliations, tax determination, Invoice printing and comprehensive GST compliance**
- A strategic approach required for implementation to be done in Industrialized and standardized manner. Reduces Business and consulting efforts.
- Proven track record and Expertise in Tax Migration project ensure ON-TIME project delivery and with highest standards.
- Readiness with Templates, implementation methodologies as an added advantage.
GST – Current Taxation Vs. GST

Central Levies
- Central Excise Duty
- Excise Duty on Medicinal and Chemical Preparation
- Additional Excise Duty on Textile and Textile Products
- Central Sales Tax
- Service Tax
- CVD and SAD (on Goods Imports)
- CESSES and Surcharge (Edu., S.B.C., Krishi Kalyan)

Goods and Services Tax
- CGST
- SGST

State Levies
- State VAT/Purchase Tax
- Entertainment Tax
- Tax on Lottery, Gambling etc.
- Entry Tax
- Luxury Tax
- Tax on Advertisement
- State-wise CESS and Surcharge
GST – Proposed Tax Structure

- **CGST (Central)**
- **SGST (State)**
- **IGST (Central)**

**Direct Tax**: Income Tax

**Indirect Tax = GST (Except Custom)**

**Intra State**
- CGST (Central)
- SGST (State)

**Inter State**
- IGST (Central)

**Tax Structure**

- CGST – Tax levied under the Central Goods and Service Tax Act, 2016
- SGST - Tax levied under the State Goods and Service Tax Act, 2016
GST – Technical Specifications

- For GST Implementation certain Technical specification needs to be fulfilled as per recommendations from SAP.

- Technical specification for GST Implementation solely depends on current version of Tax Localization for your organization.

- Two separate Tax Calculation Procedures
  - TAXINJ – Formula based taxation
  - TAXINN – Taxation based on Condition records

- Technical activities to be carried out for each of the Tax Calculation procedures currently available in SAP there are three approaches.

  1. **Migration TAXINJ to TAXINN**: If your organization is still on TAXINJ procedure, then first step would be to migrated TAXINJ to TAXINN procedure.
  2. **Migration to GST**: If your organization is still on TAXINN procedure, then GST patch to be migrated to TAXINN procedure and apply the SAP note for GST.
  3. **New (Greenfield) Implementation**: If your organization is still not implemented SAP, then GST to be implemented along with SAP ERP System.
GST – Approach 1 (TAXINJ to TAXINN)

• Service Pack (SP) to be applied as per SAP_APPL

• Release Support Pack
  - SAP ERP 6.0 (600) SP 26
  - EHP2 FOR SAP ERP 6.0 (602) SP 16
  - EHP3 FOR SAP ERP 6.0 (603) SP 15
  - EHP4 FOR SAP ERP 6.0 (604) SP 16
  - EHP5 FOR SAP ERP 6.0 (605) SP 13
  - EHP6 FOR SAP ERP 6.0 (606) SP 14
  - EHP6 FOR SAP ERP 6.0 for HANA (616 - SAP HANA) SP 08
  - EHP7 FOR SAP ERP 6.0(617) SP 07

• SAP Note to be applied for Migration:
  - 2014164 - TAXINJ to TAXINN Migration
  - 2153807 - Tax code update programs PO SA and Contract
  - 2161911 - Purchase order display and Invoice display/cancel issue
  - 2167294 - Prerequisite Note for SAP Note 2153807
  - 2252781 - FAQ on Tax procedure migration from TAXINJ to TAXINN

• Configuration: Configure TAXINN Procedure and Other prerequisite configuration for TAXINN

• Master Data Migration/Cutover activity
  - Migrate tax Code in TAXINN (for Historical data and currently used tax codes)
  - Create new condition records for TAXINN

• Historical Data Maintenance:
  - Migrate Open Transactional Data, open purchase order, open sales order and open FI documents if any
GST – Approach 2 (TAXINN to GST)

If the TAXINN procedure exist in the system:

- The Government of India is planning to introduce GST on July 01, 2017,

- This is a draft note and is not for productive use. Ensure that you apply changes proposed in this note only in a sandbox system as it is in DRAFT status.

- The Note contains information based on the draft Model GST law attached with the note. The information offered is subject to change without prior notice due to factors outside/beyond the control of SAP. SAP does not take responsibility for any changes that arise in your system after implementing this note.

- SAP suggests that you perform an assessment on the risks involved before implementing this note.

- Once the final GST law is available, SAP will keep you informed regarding the details of the final solution.

- SAP notes to be applied in sandbox for readiness of GST:
  - 2385575 - GST India - Changes to Master data
  - 2405502 - GST India - Changes to Master data- DDIC activities
  - 2407980 - GST India - Changes to tax procedure and pricing procedure
  - 2315692 - Information on GST
  - 1375438 - Globalization Collection Note
GST – Approach 3 (GST)

New (Green) Implementation:

Below SAP notes to be applied in sandbox for readiness of GST

- 2385575 - GST India - Changes to Master data
- 2405502 - GST India - Changes to Master data- DDIC activities
- 2407980 - GST India - Changes to tax procedure and pricing procedure
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GST – Areas of Impact

• **Tax registration** - Define Registration level

• **Master Data Maintenance** – GL Accounts, Business partner Tax Data

• **Tax Configuration and Computation** – Configure Tax and Pricing Procedure

• **Document Numbering** – Outgoing Invoice Numbering

• **Business Process Location** – Currently Localized Business Process

• **GST Tax Posting** – GST Input and Output Tax Posting

• **GST Tax Posting** – GST Input and Output Tax Posting

• **Utilization** – Input tax credit utilization against payable for GST taxes

• **Reporting** – Tax Register
GST – Tax Registration and Master data

**Tax registration** - Define Registration level
- GSTIN – GST Identification Number
- Single registration for CGST, SGST and IGST
- Individual registration to be obtained in each state of business establishment.
- GST registration at Business place level

**Master Data Maintenance** – GL Accounts, Business partner Tax Data
- Customer and Vendor: GST registration number to be captured for each registered customer and vendor. (Vendor and Customer GST registration field to be defined in General Data Tab field **Tax Number 3**)
- Separate tax for A/P and A/R accumulation might be required at GST level
- Accounts to be defined for SGST CGST and IGST
- GL Accounts to be determined at Business place level for **example IGST**

<table>
<thead>
<tr>
<th>Transaction Key</th>
<th>Tax Code</th>
<th>Business Place</th>
<th>GL Account</th>
<th>GL Description</th>
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<tr>
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<td>XXXX000</td>
<td>IGST – Maharashtra</td>
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<tr>
<td>JIC</td>
<td>IN02</td>
<td>XXXX100</td>
<td>IGST - Andhra Pradesh</td>
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</tr>
<tr>
<td>JIC</td>
<td>IN03</td>
<td>XXXX200</td>
<td>IGST - Bengal</td>
<td></td>
</tr>
</tbody>
</table>
• **Tax Configuration and Computation** – Configure Tax and Pricing Procedure
  - For Intra-state transactions: applicable CGST and SGST.
  - For Inter-state and Import transaction: applicable IGST.
  - New Condition types, access sequence and account determination to be configured for GST example (OBQ1).
  - Condition types to be created for deductible and non-deductable GST, conditions to be added in Tax calculation (OBYZ) and SD Pricing procedure (V/06 or V/08) example JINFAC.

<table>
<thead>
<tr>
<th>Tax type</th>
<th>Access Sequence</th>
<th>Condition deductible</th>
<th>Description</th>
<th>Account Key</th>
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<td>JICG</td>
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<tr>
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<td>JISG</td>
<td>State GST (INTRA)</td>
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<td>Integrated GST (INTER)</td>
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<tr>
<td>Output</td>
<td>JGSO</td>
<td>JOCG</td>
<td>Central GST (INTRA)</td>
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<td>Integrated GST (INTER)</td>
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</tr>
</tbody>
</table>
**Document Numbering** – Outgoing Invoice Numbering

- Unique sequential numbering for outgoing GST Invoices
- Criteria for legal numbering may be specified by government
- Numbering could be for example on Registration level, document type
- Assignment of Number Ranges to Business place

<table>
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<tr>
<th>Document Class</th>
<th>Document Types</th>
<th>Description</th>
<th>Business Place</th>
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<th>No</th>
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<td>IN01</td>
<td>01</td>
<td>01.01.2016 - 31.12.2016</td>
</tr>
</tbody>
</table>
 GST – Impact on Business processes

- **Business Process Location** – Currently Localized Business Process
  - Sales Process
  - Procurement Process
  - Stock Transfer
  - Subcontracting
  - Others

- **GST Tax Posting** – GST Input and Output Tax Posting
  - Separate accumulation of credit and payables for
    - CGST
    - SGST
    - IGST
  - Separate accumulation at registration level
  - Automatic Tax posting to respective GL Account from business process
GST – Utilization and Reporting

• **Utilization** – Input tax credit utilization against payable for GST taxes
  - Input CGST to be utilized against output CGST and IGST
  - Input SGST to be utilized against output SGST and IGST
  - Input IGST to be utilized against output IGST, CGST and SGST in the order of IGST CGST and SGST

• **Reporting** – Tax Register
  - CGST
  - SGST
  - IGST
  - Registration level segregation
Utilization: New Utilization program to handle GST credit utilization is planned.
### Output tax: Line items

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<th>Pstng Date</th>
<th>BP</th>
<th>DocumentNo</th>
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<th>Tax base amount</th>
<th>Output Tax Pay.</th>
<th>Gross amount</th>
<th>Output tax</th>
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<th>Tax base amount</th>
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Create condition table for material

- Input CGST to be utilized against output CGST and IGST
- Input SGST to be utilized against output SGST and IGST
- Input IGST to be utilized against output IGST, CGST, and SGST in the order of IGST, CGST, and SGST

- Reporting – Tax Register
  - CGST
  - SGST
  - IGST
  - Registration level segregation
TAXINN Tax procedure is Mandatory for GST. However what if you do not want to upgrade/migrate to the recommended patch level? or have global regression constraints to migrate to the recommended SP level? - no problem😊

We will do a POC in your system in the sandbox environment by applying GST applicable notes and customized solution only to your environment. This will mean tremendous savings to you terms of $$$, time and effort.
GST – A complete End to End solution

We have partnered with Adaequare who are market leaders in GST automation to have a seamless integration to the GSTN (GST Network)

Data Posting with Transformations

Capture data from multiple sources to perform data exchange with GSTN for reconciliations
GST – A complete End to End solution

A Complete GST Solution

**enComply – India GST Offerings**

- **Invoice Data Posting & Reconciliations with data transformations**
  - Load Inward & Outward transaction data from multiple sources. Utilize Visual Data Mapper

- **Add Tax - Tax Determination and Calculation With Real-time REST API**
  - With Up-to-date place of supply/service rules, HSN/SAC rates & source friendly connectors

- **Transactor – Process transaction documents to print or deliver electronically**
  - Process documents with REST API based connectors or FTP synchronization

- **GST Returns Filing (GSTR 1, 2, 3 ..., 8, 9)**
  - Access GSTN APIs, perform GET & POST actions with electronic signature to process regular & amendment filings with 2-Way Synchronization

- **Add Tax - Tax Determination and Calculation With Offline document conversion**
  - Convert un-taxed Invoice Documents to Taxed Invoice Documents with FTP Synchronization

- **Integrated Dashboard & GSTN forms**
  - Get Status updates, Alerts, Notices or Demand Orders across Multiple GSTINs along with process status updates. Process GST forms
Contact details

Questions ??? We will be glad to answer the same.

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