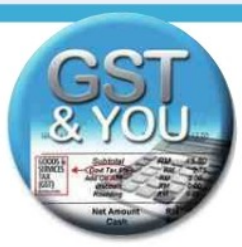
GST: What a business owner should know



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WHAT do business owners need to know about GST? How do we prepare ourselves as part of the supply chain? The first two articles outlined how GST works as well as what consumers should be aware of. In this article, we will outline how businesses can get themselves ready for the GST environment. This article will take the form of answers to commonly asked questions by business owners. Details on GST administration will be covered in our final article next week.

How do businesses prepare for GST?
Will it really take 12-18 months for a business to get ready for the GST environment? What cost would be involved? There is no cost to businesses, as the tax is borne by the consumer. However, in order to ensure that GST is declared accurately, particularly for input taxes claims, a business has to make sure that its infrastructure can accommodate these requirements. Therefore, businesses would incur cost to get ready to cope with GST.

Generally, the time required to get ready for GST varies from entity to entity. The variance stems from industry, existing infrastructure, volume of business transactions, the way of doing business as efficiencies of transfer of GST knowledge.

Am I ready? A GST checklist
Even though GST is a tax, it impacts all operations of a business. Therefore, we have summarised some aspects of consideration in relation to "how ready a business is for GST". The list of considerations outlined in the table above is not exhaustive. Please note that the "GST readiness" for each entity would vary based on type of business, GST awareness, infrastructure, etc.

If my company does not pay any sales or service tax at present, why would I be subject to GST?
The current Sales and Service tax regime has a very narrow base, that is not all goods and services fall under the taxable categories. However, under the GST regime, all goods and services would fall under either taxable (i.e. standard or zero rated) or non taxable (i.e. exempt or "out of scope") categories.

PEOPLE	RECORD KEEPING	SYSTEMS	INTERNAL CONTROLS
▶ Are you and your colleagues aware of GST and the impact of the tax on the business? ▶ Is training required? ▶ Has there been GST knowledge transfer between business units/departments? ▶ What is the perception of GST for change management purposes, with regards to changes in business cycles?	▶ GST documents have to be maintained, i.e. valid tax invoices. ▶ Maintenance of GST worksheets. ▶ Regular updates of GST records, particularly with regards to taxing points (for submission of GST return purposes).	▶ Can the existing accounting system cope with the GST component, particularly with regards to peculiarities in business transactions (e.g. consignment stock, discounts, etc). ▶ Is there adequate collation for GST reporting? ▶ Do I have an automated accounting system or are records maintained manually?	▶ Review of sales/purchase business cycles/policies with regards to taxing points for GST purposes. ▶ Review of treatment for exceptional transactions. ▶ Periodic reviews?

Therefore, it would be a much broader base and even though at present you do not pay any sales or service tax, you would fall under one of the GST categories. Therefore, you may be required to register for GST and comply with administrative requirements, i.e. submission of GST returns and collection of taxes, etc.

My company currently enjoys exemptions under the current sales or service tax regime. Would these exemptions be valid/ applicable under the GST regime?
No, exemptions under the current regime do not automatically carry through to the GST regime. Please note GST will replace sales and service taxes, therefore these taxes will no longer apply and the legislation will be removed. However, the GST regime will have several schemes and exemption orders that may be applicable to various GST registrants (dependent on criteria being met).

What happens to payments made on behalf of another entity, would GST be imposed?
GST would be imposed on the taxable supply of goods or services. Payments made on behalf would be reimbursed in full (inclusive of GST). There would be no additional GST charged.

Is GST really going to be implemented?
The extension of time or rather deferment of GST has been practical, in terms of enabling more taxpayers to educate and better prepare themselves for the impending GST environment. The deferment has also enabled more taxpayers to engage in dialogues with the authorities, which allows peculiarities in industries to be considered. These have been collated and can be found on the Custom's website in the form of industry guidelines. It is expected that by year-end, all guidelines will be uploaded and publicly available.

A smooth transition into a new climate is possible, provided steps are taken based on the requirements of an entity (i.e. depending on how "GST ready" they are). Therefore, taking measures to take stock of your position in relation to GST, should be done now to enable planning for the implementation of the tax regime.

"To think too long about doing a thing often becomes its undoing." The clock has started ticking and the additional time only becomes useful if actions are taken now to determine the timelines and implementation exercise to be executed.

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