

E-invoicing under GST

Shilpi Jain
Dec '19

The GST Council approved the standard of e-invoice in its 37th meeting held on 20th Sept 2019 and the same along with schema has been published on the GST portal. Further, there were workshops (scheduled in 7 Indian cities in the 1st phase) that were conducted by the GSTN wherein the CEO Prakash Kumar was also present to explain and address the concerns of the trade, industry, professionals and the software vendors whose involvement would be prime in complying with the new provisions of e-invoicing. Let us understand a few basic aspects relating to e-invoicing.

Persons required to generate e-invoices (Specified Persons)

Notifications giving effect to the requirements of e-invoicing have been issued on 13th Dec '19. As per the notification No. 70/2019-CT, a registered person whose **AGGREGATE TURNOVER IN A financial year** exceeds Rs. 100 crores would be required to generate e-invoices. Thereby, the turnover criteria is to be seen at the PAN level which would also include the supplies between the GSTINs having the same PAN (i.e. distinct persons) and not at the registration or GSTIN level. Further, the turnover that is to be seen, is not that of the previous financial year.

So if this means that one has to look at the turnover in the current financial year, then whether the e-invoice generation would be mandatory from the day the turnover exceeds Rs. 100 crore or all the assessee's whose turnover is expected to exceed the said limit will have to start generating e-invoices from the 1st day? This could lead to interpretation issues and hence an easier way could be to look at the aggregate turnover of the previous financial year which would be a relatively available data.

Period from when the provision will be applicable?

As per the above referred notification the generation of e-invoices by the Specified Persons would be mandatory from 1st Apr '2020. Further, in the outreach programs conducted by the GSTN it was mentioned that from 1st Jan '2020 registered persons with turnover more than Rs. 500 crores would be able to generate the e-invoices and from 1st Feb '2020 the persons with turnover more than Rs. 100 crores would be able to generate the e-invoices.

The assessee should take this opportunity to try out the new legal requirement under GST so that suitable processes and systems can be put in place for compliance from 1st Apr '2020 including the required changes in the IT infrastructure.

What does generation of e-invoice require?

It has been stated that the invoice generation interface would remain the same for the assessee (i.e. assessee can continue to generate their invoices through their existing accounting software) and they would not be required to generate any invoices on the GST portal or any other portal.

However, such generated invoices will have to be uploaded at the Invoice Registration Portal (**IRP**) which will then generate the Invoice Reference Number (**IRN**).

As per rule 48(4) of the CGST Rules, 2017, the Specified Persons would be required to obtain an **IRN** by uploading information filled in Form GST INV-01. The Common Goods and Services Tax Electronic Portal for the purpose of preparation of the e-invoice would be the following:-

- (i) www.einvoice1.gst.gov.in;
- (ii) www.einvoice2.gst.gov.in;
- (iii) www.einvoice3.gst.gov.in;
- (iv) www.einvoice4.gst.gov.in;
- (v) www.einvoice5.gst.gov.in;
- (vi) www.einvoice6.gst.gov.in;
- (vii) www.einvoice7.gst.gov.in;
- (viii) www.einvoice8.gst.gov.in;
- (ix) www.einvoice9.gst.gov.in;
- (x) www.einvoice10.gst.gov.in

However, it has been mentioned that the accounting software vendors would enable this aspect by way of an interface between the accounting software and the above referred portals and the assessee will only have to click a button to get the IRN generated from the IRP. Thereby, the generation of the IRN would be a faceless interface wherein the assessee will not know the process of the generation but will be given with the desired output.

Once the IRN is generated the invoice will be transmitted to the assessee with a QR code on it. This can be printed as any invoice which can be signed and sent. Important aspect to note is that generation of the IRN/ the QR code only means that the invoice

has been reported in the GST portal and does not mean any authentication or signing of the invoice.

Would the portal be able to handle the huge data of invoices?

It has been stated that the IRP would only validate the suppliers' GSTIN and no other data. Thereby, the IRP would be able to respond within milliseconds for one invoice. Further, 10 portals being available for generation of e-invoice, it is expected that there will not be a situation leading to delay in generation of the IRN.

Another aspect to note here is that 2 e-invoices cannot be generated for the same invoice i.e. invoices with same GSTIN of recipient, GSTIN of supplier and invoice number cannot have 2 IRNs.

When should the e-invoice be generated?

The Specified Persons will have to generate the e-invoice before the transportation of the goods i.e. movement of goods on any invoice without an IRN generation (i.e. without the above stated QR code) would be an invalid document in terms of rule 48(5) of the Rules.

This raises a question regarding the service providers where movement of goods is not involved. Whether such persons can generate the e-invoices once in a month before filing of returns? Else what would be the periodicity? The answer lies in rule 48(5) *ibid* as per which any invoice generated by the Specified Persons without an IRN would be an invalid document which can lead to denial of credit in the hands of the recipient. Hence, Specified Persons issuing invoices even in cases where movement of goods are not involved will have to generate e-invoices and print the relevant QR code obtained from the IRP, on the invoices given to the recipients.

For what transactions e-invoice is required to be generated?

As per notification 70/2019-CT e-invoice is required to be generated for supply of goods or services or both to registered persons i.e. for B2B transactions. It was stated in the outreach programs conducted by the GSTN that it is not mandatory to generate e-invoices for B2C transactions, though option to generate the same would be available. Hence, there is no requirement of generation of e-invoices in case of transactions liable under reverse charge in the hands of the assessee, imports, exports (as the supply is to persons who are not registered), etc. Supplies to SEZ units and developers, and deemed

exports would require generation of e-invoices as in majority of the situations such recipients would be registered under GST.

Further, as per notification No. 72/2019-CT a registered person with aggregate turnover more than Rs. 500 crores is required to generate a QR code for the B2C invoices in which case even making available the Dynamic QR code to the recipient over a digital display, cross reference of payment using such Dynamic QR code on the B2C invoice would be considered compliance.

What are the advantages of e-invoicing?

- (i) E-invoicing would lead to lesser time spent by the assessee for compliance under GST for the reason that the invoice once uploaded on the IRP will automatically get reported in Form GST ANX-1 and the Part A of the e-way bill will be generated. This will ensure that the assessee does not spend time in summarizing the invoice information again and again for the 2 said requirements.
- (ii) This will also ensure elimination of data entry errors when data is fed from invoice to e-way bill and Form GST ANX-1.
- (iii) This will help in the data being auto-populated in the recipients' Form GST ANX-2 on real time basis, leading to ease of matching of credits.
- (iv) E-invoicing will provide data to the department in cases where invoices are issued and subsequently cancelled or amendments made in the return forms or invoice cancelled or credit notes issued, etc. to identify the genuineness and also to avoid fake invoicing.

What are the disadvantages or shortcomings?

- (i) Once an e-invoice is generated, cancellation is not possible after 24 hours, however amendments can be made in the return forms. Thereby, in case there is any mistake in the place of supply (for example) which the recipient communicates after 15 days of receipt of goods then the e-invoice will have to be generated for a new invoice number as the same invoice number cannot be used to generate another IRN. This could pose operational problems for the assessees. Hence, extreme care must be taken to ensure that the details of the invoice are correct before e-invoice is generated.
- (ii) Additional expenditure to be incurred for the updating of the existing accounting software to generate the e-invoices.

- (iii) How would the officer checking any vehicle carrying goods have the data/information to know which assessee is required to comply with the e-invoicing provisions from 1st Apr '2020 and thereby not harassing the other assessees for not carrying e-invoices.
- (iv) How would the recipients have knowledge of whether a particular supplier is required to issue e-invoices or not, to ensure that he is not availing credit on an invalid document? This is for the reason that the criteria for e-invoices is the aggregate turnover which also includes inter-branch supplies.

The above is only a glimpse of what the e-invoicing provision is and it is expected to give a huge amount of data to the department for further analytics which is expected to lead to a reduction in tax evasion. However, this would require assessees to become more systematic in their approach to conduct business, though a relief for the smaller assessees who are presently not required to comply with these provisions but who would be benefited to some extent by these provisions as credits will be reflected on a real time basis for them when procurements are made from the Specified Persons.

This article was published in TMI at the below link:

https://www.taxmanagementindia.com/visitor/detail_article.asp?ArticleID=8859

For any further queries/comments please write to shilpijain@hiregnage.com.

Our Locations: Bangalore | Hyderabad | Visakhapatnam | NCR (Gurgaon) | Mumbai | Pune | Chennai | Guwahati |

www.hiregange.com