

e-INVOICING UNDER GST



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e-invoicing has been the biggest and one of the most talked-about changes when it comes to GST in 2020 as a part of anti-tax evasion measures. Invoicing practices have been quite industry-specific. Despite the proprietary ways of preparing invoices, the unified approach of e-invoicing was taken in good spirit by all taxpayers. Companies with a turnover of more than ₹100 CR went LIVE with **e-invoicing mandate** from 1st January 2021 after successful adoption by companies with turnover of more than ₹500 CR (that went LIVE from 1st October 2020).

E-Invoicing in India – How it began, how it is going

The first committee was set up in May 2019 to discuss the usability of e-Invoicing and prepare an **e-invoicing implementation** plan for India considering global implementations. Since the committee gave its recommendations, several drafts of **e-Invoicing Specifications** were issued and finally, the **e-Invoice Schema** was released in January 2020. The mandate was supposed to go LIVE on 1st April 2020. However, the mandate was pushed to 1st October 2020 vide **39th GST Council meeting** happened on 14th March 2020. The mandate finally went LIVE on 1st October 2020 in a phased manner.

GST e-invoice has been made mandatory for entities with a turnover of `20 Crores & above w.e.f 1st April, 2022.

Why E-Invoicing under GST?

e-Invoicing is increasingly mandated by governments across the globe particularly due to tax evasion.

Tax leakage and fraud using fake invoices have been an issue the government is trying to fight even before the GST era. **e-invoicing in India** is proposed to put an end to this by mandating authorization of every invoice from the government portal. Real-time invoice reporting discourages subsequent fraudulent changes/adjustments.

Besides plugging the tax leakage, the implementation of e-invoicing under GST shall be beneficial for the taxpayers as well.

Key Benefits are:

- ✓ Reduces reporting of the same invoice details multiple times in different forms. It's just a **one-time upload** and everything, as required, will get pre-populated.
- ✓ **Part-A of the e-Way bill** will be auto-captured and only transporter details are required to be updated. On the generation of e-invoices, the B2B details will be imported in the GSTR-1 return with a click of a button.
- ✓ Substantial reduction in **input credit verification** challenges as the same data will get reported to the tax department as well to the buyer in his inward supply (purchase) register (GSTR-2A/2B).
- ✓ A complete trail of B2B invoices and system-level matching of input credit and output tax helps to reduce tax evasion
- ✓ Increase efficiency in tax administration by eliminating fake invoices.

e-invoicing and an e-invoice under GST?

e-invoicing aka Electronic Invoicing is an electronic authentication mechanism under GST. Under the mechanism, all the B2B and Export invoices generated by a business need to be registered with the Government system i.e. the Invoice Registration Portal (IRP) and obtain a unique identification number for every invoice called Invoice Reference Number (IRN). Along with IRN, the IRP will also create a digitally signed QR code with select details from the invoice and digitally sign the uploaded invoice data. Thus, an e-invoice is a document that has an IRN associated with it and a digitally signed QR code printed on it.

Once an IRN is generated and the invoice has been authenticated, its details shall be made available on the **GST portal** and **EWB portal** in real-time.

Who needs to generate an E-Invoice?

1. On the basis of Aggregate Annual Turnover (AATO):

e-Invoice under GST has been introduced in the country in a phased manner based on the Aggregate Annual Turn Over of the companies. The first phase went LIVE for companies with a turnover of more than ₹500 CR on 1st October 2020. The second phase went LIVE for companies with a turnover of more than ₹100CR on 1st January 2021. The third phase is supposed to go LIVE from 1st April 2021 for companies with ₹50 CR and above turnover.

2. On the basis of FY:

As per the **Not. No. 13/2020** amended vide Not. No. 70/2020 and **Not. No. 88/2020, AATO** in any preceding Financial Year from 2017-18 onwards needs to be considered to ascertain the applicability of e-Invoicing mandate. The AATO is as per GST Returns. GST System has also given a facility to check the applicability on the **E-Invoice Portal**.

3. On the basis of Entity Type:

GST E-invoice can be generated only by suppliers. The recipients and transporters cannot generate E-Invoice. E-commerce operators can generate e-invoices under GST on behalf of the sellers on their platforms.

Who need not generate an E-Invoice?

The following persons are exempted from generating e-invoicing:

- ◆ Insurance company
- ◆ Banking company
- ◆ Financial Institution

- ◆ NBFCs
- ◆ GTA
- ◆ Supplier of passenger transportation services
- ◆ Supplier of services by way of admission to the exhibition of cinematograph films in multiplex screens
- ◆ Special Economic Zones (SEZs) Units (Notified vide Notification No. 13/2020 and 61/2020- Central Tax): As per the notifications, the exclusion is for SEZ Units and not for SEZ Developers.

Documents are to be reported to GST System under e-Invoicing:

The taxpayers need to report the following documents to the e-invoice system.

- ◆ Invoice by Supplier
- ◆ Credit Note by Supplier
- ◆ Debit Note by Supplier

Thus, Bill of Supply and Delivery Challan/Job Work Challan need not be reported under e-Invoicing.

Transactions need to be reported under e-Invoicing:

E-Invoicing is applicable only to B2B Business to Business (including B2G –Business to Government) transactions. B2B Supplies include domestic supplies as well as Exports (including Deemed Exports), Supplies to SEZ B2B Reverse Charge Invoices and Supplies through e-commerce Operators are covered under e-Invoicing.

E-invoicing applicability and RCM transactions:

- ❖ If transaction through E-commerce comes under RCM then these transactions are also covered under GST E-invoicing. And E-commerce operator can also generate IRN for the same.
- ❖ GTA comes under RCM notified services but it is exempted as of now from e-invoicing.
- ❖ SEZ units are exempted from e-invoicing however the SEZ developer needs to generate IRN as they fall under e-invoice mandate.
- ❖ E-invoicing is not required for B2C – Business to Consumer transactions. However, for taxpayers with AATO above ₹500 Cr, the invoices need to have generate dynamic QR Code.

- ❖ Import transactions are also not covered under e-Invoicing.

How to generate an e-invoice under GST?

An invoice is created from the taxpayer's system itself which then is sent to Invoice Registration Portal (IRP) for authorization. Once authorized, the invoice data is updated with IRP's digital signature and a QR Code along with the Invoice Registration Number (IRN). This is termed as an e-Invoice.

The mandatory data includes details like buyer and supplier details, invoice value, tax rate, description and HSN of goods or service, taxable value and tax amounts. Optional data fields are payment-related such as bank account no, mode of payment, pre-tax values, reference document number etc.

QR Code and its relevance under E-Invoicing:

On successful registration of e-invoices on IRP, the IRP provides a digitally signed QR Code along with a unique IRN and digitally signed full invoice data. The e-invoice QR Code generated for B2B transactions has selected information from the invoice. The structure of **QR code for B2B invoices or transactions** remains the same for any document which has been registered with IRN and generated by any entity. The values corresponding to these standard fields differ based on the content of the invoice.

Is the QR Code for B2C Invoices related to E-Invoicing?

While the notification regarding the applicability of QR Code on B2C Invoices came along with e-Invoice notifications, these two are completely unrelated. Taxpayers with AATO above ₹ 500 Cr need to have a dynamic QR Code on B2C invoices which can facilitate easy payment options for customers such as scan and pay. **e-invoicing and QR Code for B2C Invoices** was mandated in light of moving towards a digital economy.

What should a recipient of e-invoice look for?

The e-invoice received from the suppliers (to whom the mandate is applicable) will have the extra information related to the **invoice reference number (IRN)**. Hence,

the recipients of e-invoices need to be vigilant of the applicability of the e-invoicing mandate to their vendor list. Not only this, the recipients also need to know beforehand, which documents like CDN, DBN and invoices etc. are expected to carry IRN.

Impact of e-invoicing on purchase cycle:

Now as a recipient of standard e-invoices, the recording of purchase invoices in the accounting systems can be automated and this itself can result in achieving higher efficiency and accuracy of data in source systems. Additionally, IRN being unique to every invoice can be useful for picking up comparable invoices and thus be beneficial for reconciliation and ITC computation.

Software/application can be used to generate an e-invoice:

As opposed to the contemporary belief that an e-invoice has to be generated on the common portal, an e-invoice under GST can be generated through any software/tool that supports the given e-Invoicing format. It is important to prepare the system to send and receive invoice data.

It is important to note that the invoice generation will continue to be done by taxpayers. For generating IRN, taxpayers can opt for solutions that can be embedded in their current invoicing processes or use manual generation options. However, there are many tasks post-IRN generation i.e. getting invoice printed with QR code, checking its auto-population in GSTR 1 etc.

The Government has also provided various types of JSON files for the generation of e-invoices and for small taxpayers, an xls based utility called GePP has been provided.

Generation of E-Way Bill along with E-Invoice:

Generation of E-way Bill is now inter-twined with E-Invoicing. IRP can be used to generate not only IRN but also E-way bills, for the documents that qualify. Thus, depending on the data sent, the IRP system returns IRN or E-way Bill Number or both. If the taxpayer sends transportation details along with invoice details, IRP communicates with E-Way Bill portal in real-time and generates E-Way bill.

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