



E - INVOICE: EVERYTHING YOU NEED TO KNOW

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Business with turnover of more than Rs 500 crore will issue 'E-invoicing' with a Quick Response (QR) code from 1 October 2020.

The Goods Services Tax ("GST") Council, in their 37th meeting on 20th September 2019, has decided to implement a system of e-invoicing, which will be applicable to specified categories of persons. E-invoicing is not the generation of invoice on GST portal. It is the submission of an already generated standard invoice on a common portal. Thus, it automates multi-purpose reporting with a one-time input of invoice details.

Announced on 14 March 2020 at the 39th GST Council meeting, the implementation of e-invoicing and QR codes on invoices has been delayed from 1 April 2020 to 1 October 2020. The GST Council also postponed the e-wallet scheme to 31 March 2021.

The major decisions made by the GST Council include the following:

- Mandatory e-invoicing and implementation of QR code are deferred from 1 April 2020 to 1 October 2020;
- The deadline for the e-wallet scheme is postponed to 31 March 2021;
- Certain categories of taxpayers (including insurance companies, banks, financial institutions and non-banking financial institutions, passenger transportation services) are exempt from issuing e-invoices and generating QR code;
- The introduction of GST returns is deferred to 1 October 2020.

What is E-Invoicing?

E-Invoice means **electronic invoice** to be generated by the taxpayer. It is a system in which B2B invoices are authenticated electronically by Goods and Services Tax Network ("GSTN") for further use on the common GST portal. It doesn't mean generation of invoice by a Government portal.

Its applicable to;

- Taxpayers whose aggregate turnover (based on PAN) in a financial year >500 Crores.
- Few Sectors/persons exempted: SEZ units, Insurance, Banking (including NBFCs), Goods Transport Agency (transporting goods by road in goods carriage), Passenger transport services, Multiplex Cinema Admissions.

Benefits of E-invoicing?

Its benefits include;

- Reporting and authentication of B2B invoices from the common portal will ensure that GST ANX-1 and ANX-2 are auto-prepared in the new format. It also auto prepares GSTR 1 for B2B supplies.
- E-invoicing can be further used for creating e-way bills by providing only vehicle details.
- Invoices uploaded by suppliers for authentication will be automatically shared with buyers for reconciliation.
- The system will auto-match input credit liability with output tax.
- E-invoice can be created for Debit/Credit Notes, Invoices, and other eligible documents.

Invoice Registration Portal

A taxpayer will have to generate his invoice on his own accounting system and then upload the same into the government's Invoice Registration Portal ("**IRP**").

The IRP will then generate a unique Invoice Reference Number ("**IRN**") after which invoice details are transferred from the IRP to GST portal and e-way bill portal. Therefore, it eliminates the need for manual data entry each time.

Invoice Reference Number

The **IRN** is a unique number, also known as hash, generated by the IRP using a hash generation algorithm, under the e-invoicing system. For every document such as an invoice or debit or credit note to be submitted on the Invoice Registration Portal, a 64-character invoice reference number shall be generated.

This number shall be unique for every invoice raised in a financial year by a Goods and Services Tax Identification Number ("**GSTIN**") in the entire GST system. Further, every invoice being issued by supplier to his recipient must contain the IRN.

How to create E-invoice?

An e-invoice will be created using an enterprise's current accounting and billing software. The procedure to create an e-invoice will be almost identical to the current process of raising an invoice electronically. However, a business enterprise will now need to re-align their software system in order to ensure that the invoice raised follows the standardized format laid down by the GSTN. While the physical copy of the invoice will not look any different from what it did before, the seller's software system will have an inbuilt feature to generate each invoice in JavaScript Object Notation ("**JSON**") format, which can then be uploaded onto a central system.

The seller can create a JSON file following the e-invoice scheme and mandatory parameters by using the following modes:

- i. accounting and billing system that offers this service,
- ii. a utility to interact with the accounting/billing system, such as an excel/word document or a mobile app and
- iii. an offline Tool to generate e-invoices by keying-in invoice data.

What happens once an e-invoice has been generated?

After an invoice has been generated on a business' accounting software with its own IRN, the JSON file will need to be uploaded onto a central system. The central system, known as the IRP of GST, will validate the hash (i.e. the IRN) and do a deduplication check with the GST system. After which, the system will generate a unique reference number and digitally sign the invoice. In addition, a Quick Response Code ("**QR code**") containing vital parameters of the invoice will be generated and sent back to the taxpayer who raised the invoice. The signed e-invoice will also be sent by the IRP to the recipient of the document i.e. the buyer, on the email ID provided in the invoice.

Why a QR Code on e-invoice?

It is a two-dimensional barcode applied to items for presenting information in its machine-readable format. The QR Code contains important details of the invoice so that one can check those details even without internet access. The QR code will consist of the following e-invoice parameters:

- GSTIN of the supplier
- GSTIN of the recipient
- Invoice number given by the supplier
- Date of the generation of invoice
- Invoice value

- Number of line items
- HSN Code of the main item
- Unique Invoice Reference Number/Hash

Conclusion

The introduction of e-invoice system shall result in more streamlining of GST process. It is not an invoice that you can download or generate through the GST Portal, but a process of validating all the B2B invoices electronically by the GSTN. A standard format (Schema), which requires all the accounting software to follow a common format which can then be uploaded to the GST portal for authentication and validation.

To sum up, E-invoice is a standard mechanism or schema for data exchange between different GST billing software of different manufacturers. For more details you can visit <https://einvoice1.gst.gov.in/>. National Informatics Centre (NIC) has built the e-invoice system as per the latest e-invoice (IRN) schema published on the GSTN portal.

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