
E-INVOICING UNDER GOODS AND SERVICES TAX

Abstract:

E-invoicing is an electronic authentication mechanism under Goods and Services Tax ('GST').

Rule 48(4)¹ of the Central Goods and Services Tax Act, 2017 (the 'CGST Act'), provides that registered persons with an aggregate turnover (*based on PAN*) of more than Rs. 500 Crores² ('Specified Registered Person') in a financial year are mandated (w.e.f. 01.10.2020)³ to report specified particulars of GST invoices (*created on Accounting/Billing/ERP Systems*) on the Invoice Registration Portal ('IRP') and obtain an Invoice Reference Number ('IRN').

Highlights of the E-invoicing system⁴:

1. The Specified Registered Person is required to report specified particulars of GST invoices (*created on Accounting/Billing/ERP Systems*) on the IRP.
2. Once the document is uploaded, the IRP will carry out validation of the document, based on the following parameters:
 - i. Completion of date in all mandatory fields.
 - ii. Validity of buyer GSTIN.
 - iii. Validity of seller/supplier GSTIN.
 - iv. Validity of invoice number.
 - v. Validity of pre-existence of the invoice in the GST system.
3. Where the above parameters are validated, IRP returns the invoice with a unique IRN after digitally signing the e-invoice and adding a QR Code. This invoice generated by the IRP containing inter alia, the IRN (with QR Code) issued by the notified supplier to buyer is referred to as 'e-invoice' in GST. Therefore, in effect, a GST invoice issued by the seller will be valid only with a valid IRN.
4. **Invoice Registration Portal ('IRP')**: The Central Board of Indirect Taxes notified the 10 Common Goods and Services Tax Electronic Portals⁵ as under for the purpose of preparation of invoice in terms of rule 48 (4) of the CGST Act:
 - i. www.einvoice1.gst.gov.in; (*Currently active*)
 - ii. www.einvoice2.gst.gov.in; (*to be made active in due course*)
 - iii. www.einvoice3.gst.gov.in; (*to be made active in due course*)
 - iv. www.einvoice4.gst.gov.in; (*to be made active in due course*)
 - v. www.einvoice5.gst.gov.in; (*to be made active in due course*)
 - vi. www.einvoice6.gst.gov.in; (*to be made active in due course*)
 - vii. www.einvoice7.gst.gov.in; (*to be made active in due course*)
 - viii. www.einvoice8.gst.gov.in; (*to be made active in due course*)
 - ix. www.einvoice9.gst.gov.in; (*to be made active in due course*)
 - x. www.einvoice10.gst.gov.in. (*to be made active in due course*)
5. The QR code will consist of the following key particulars of e-invoice:
 - a) GSTIN of Supplier

¹ Notification No. 68/2019 – Central Tax dt. 13.12.2019

² Notification No. 61/2020– Central Tax dt. 30.07.2020

³ Notification No. 13/2020– Central Tax dt. 21.03.2020

⁴ <https://www.gstn.org.in/assets/mainDashboard/Pdf/GST%20e-invoice%20System%20-%20FAQs.pdf>

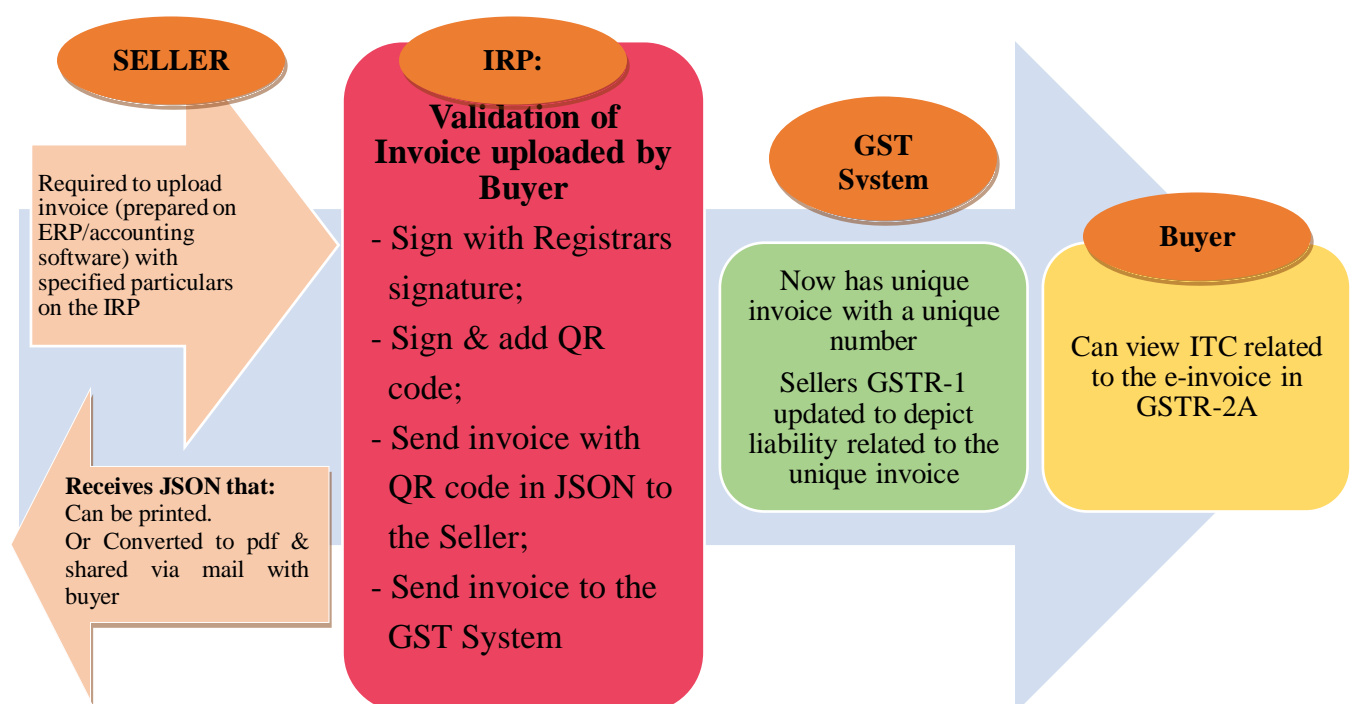
⁵ Notification No. 69/2020 – Central Tax dt. 13.12.2019

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- b) GSTIN of Recipient
 - c) Invoice number, as given by Supplier
 - d) Date of generation of invoice
 - e) Invoice value (taxable value and gross tax)
 - f) Number of line items
 - g) HSN Code of main item (line item having highest taxable value)
 - h) Unique IRN (Invoice Reference Number/hash)
 - i) IRN Generation Date
6. Specified Registered Person to report invoices of supplies made to registered persons (B2B), Supplies to SEZs (with/without payment), Exports (with/without payment), Deemed Exports.
 7. E-invoice to be issued by specified registered person for supplies attracting reverse charge under Section 9(3) of the CGST Act.
 8. Specified Registered Persons to amend their ERP/Accounting Systems in terms of the 'e-invoice' schema i.e. FORM GST INV – 1⁶ such that the invoices can be read by the IRP.
 9. The following sectors/entities are exempted from the e-invoicing mandate:
 - a) Special Economic Zone Units (*not SEZ developers*)
 - b) Insurer or a banking company or a financial institution, including a non-banking financial company
 - c) Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage
 - d) Suppliers of passenger transportation service
 - e) Suppliers of services by way of admission to exhibition of cinematograph films in multiplex screens
 - f) Input Service Distributor
 10. **Non-compliance:**
 - i. Invoices issued without the IRN number would be treated as invalid invoices.
 - ii. Restricting of availing ITC by the recipient against the invoice restricted.
 - iii. Fine of Rs. 10,000 for each non-compliance (*where each non-compliant invoice maybe treated as an instance of non-compliance*)
 11. **Rejection of invoice by IRP:** The IRP can reject invoice uploaded, where the invoice was previously reported and exists in the GST System.
 12. **IRP does not allow amendments:** Any change in invoices are to be carried out on GST portal (while filing GSTR-1) and in the case GSTR1 has already been filed, then using the mechanism of amendment as provided under GST. However, these changes will be flagged to proper officer for information.
 13. **Cancellation of invoice on IRP:** The IRP allows for cancellation (*complete not partial*) of invoice/IRP within 24 hours and limited to cases where no connected e-way bill is active or verified by officer during transit. The invoice number associated to the cancelled invoice/IRP cannot be used again to generate another e-invoice/IRN.

⁶ Notification No. 60/2020 – Central Tax dt. 30.07.2020

14. Specified Registered Person will continue to be responsible to provide the e-invoice to the receiver/purchaser. The same will be done by converting the signed e-invoice JSON into PDF to maintain the authenticity of the e-invoice.
15. In cases where e-invoicing is applicable, invoice copies in triplicate/duplicate are not required to be issued.
16. **Linking of E-invoice with E-way bills:** Where details of Part A & B are updated in the invoice schema, the details will be used for generation of e-way bill. However, where Part B is not updated while reporting invoice on the IRP, the user for generation of e-way bill may provide the missing details (i.e. Part B details) through the e-way bill portal or the 'e-way bill' tab on the IRP portal.

Process of e-invoicing:



VA Comments:

- i. As the invoice cannot be partially cancelled even for minute amendments, necessary changes will be made on the Portal and a new invoice will have to be generated in addition to amendment this leads to added burden of compliance.
- ii. Availing ITC by Buyers/Purchasers may be restricted where registered person does not issue an e-invoice, considering that an invoice will be valid only with a valid IRN.
- iii. The ERP systems would require pivotal changes for seamless flow of information from ERP to the IRP

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