
RECENT DEVELOPMENTS UNDER GOODS AND SERVICES TAX

Background:

E-invoicing and Dynamic Quick Response Code ('QR code')

The Central Board of Indirect Taxes (the '**Board**') vide Notification No. 68/2019-Central Tax dt. 13.12.2019, issued the Central Goods and Services Tax (Eight Amendment) Rules, 2019 whereby issuance of electronic invoice ('**e-invoice**') was introduced by inserting sub rule 4 to Rule 48 of the Central Goods and Services Tax Act, 2017 (the '**Rules**'). Additionally, the Board vide Notification No. 31/2019 Central Tax dt. 28.06.19 inserted proviso to Rule 46 of the Rules which provided that the Government may specify that a tax invoice shall have a QR code.

In terms of Rule 48(4)¹ of the Rules registered persons with an aggregate turnover (*based on PAN*) of more than Rs. 500 Crores² in a financial year were mandated (w.e.f. 01.10.2020)³ to report specified particulars of GST invoices issued to registered persons (i.e. B2B invoices) on the Invoice Registration Portal ('**IRP**') and obtain an Invoice Reference Number ('**IRN**').

Further, the Board vide notification No. 14/2020-Central Tax dt. 21.03.2020 notified that an invoice issued by a registered person, whose aggregate turnover in a financial year exceeds 500 Crores to an unregistered person (i.e. B2C invoice), shall have QR code w.e.f. 01.10.2020.

42nd GST Council

The 42nd GST Council (the '**Council**') meeting was held on 05.10.2020 wherein the Council has dealt with important issues, took major decisions based on returns etc., and in retrospect issued press release with certain recommendations.

Overview of Amendments:

A. E-invoicing and Dynamic QR code

In furtherance of the earlier notifications w.r.t. e-invoicing and Dynamic Quick Response QR Code, the Board has recently issued notifications which provide for certain amendments, extensions, and reliefs to registered taxpayers. The same are detailed as under:

1. Notification No. 70/2020 – Central Tax dt. 30.09.2020⁴

i. Scope of registered person required to issue e-invoice widened:

The Board vide the said notification has widened the scope of registered persons that are required to prepare an e-invoice. In terms of the amended notification, registered persons with an aggregate turnover of above Rs. 500 Cr. in any preceding financial year from 2017-18 ('**Specified Registered Person**') shall be required to report specified particulars of GST on the Invoice Registration Portal ('**IRP**') and obtain an Invoice Reference Number ('**IRN**').

ii. Details of export invoices to be uploaded on the IRP:

That such Specified Registered Person shall report export invoices in addition to B2B invoices on IRP and obtain an IRN for such invoices.

2. Notification No. 71/2020 – Central Tax dt. 30.09.2020⁵

i. Scope of registered person required to issue B2C Invoice with Dynamic Quick Response (QR) code widened:

The Board vide the said notification has widened the scope of registered person required to issue a B2C invoice with a Dynamic Quick Response (QR) code. In terms of the amended

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.cbic.gov.in/resources/htdocs-cbec/gst/notfctn-70-central-tax-english-2020.pdf>

⁵<https://www.cbic.gov.in/resources/htdocs-cbec/gst/notfctn-71-central-tax-english-2020.pdf>

notification, registered persons with an aggregate turnover of above Rs. 500 Cr. in any preceding financial year from 2017-18 shall be required to issue B2B invoices with Dynamic Quick Response (QR) code.

ii. Requirement of QR code in B2C invoices deferred to 01.12.2020:

The Board vide the amended notification has deferred implementation of requirement of Dynamic QR code in B2C invoices to 01.12.2020.

3. Notification No. 72/2020 – Central Tax dt. 30.09.2020

The Board vide the notification issued the Central Goods and Services Tax (Eleventh Amendment) Rules, 2020 whereby rules have been amended to provide as under:

i. Tax Invoice to contain QR Code embedded with IRN for persons who are required to generate e – invoice:

Rule 46 specifies the particulars to be mentioned on a tax invoice issued by taxable person under GST. Sub-rule(r) has been inserted which provides that a tax invoice must mention Quick Reference code, having embedded Invoice Reference Number (IRN) in it, in case invoice has been issued in the manner prescribed under Rule 48(4) of the Rules.

ii. Physical invoice copy of tax invoice not required for verification of e – waybill where e – invoice has been generated and contains QR Code having embedded IRN

Rule 138A(2) amended to provide that a registered person generating e – invoice in the manner prescribed under Rule 48(4), the QR code having an embedded IRN in it, may in lieu of the physical copy of such tax invoice, produce the electronic invoice, for verification by the proper officer.

4. Press Release dt. 30.09.2020

i. Mandatory e-invoicing requirement relaxed and waiver of penalty for the month of October

The Board clarifies that invoices issued by specified registered taxpayers during October 2020 without following the manner prescribed under rule 48(4) of the Rules, shall be deemed to be valid and the penalty leviable under Sec. 122 of the Central Goods and Services Tax Act, 2017 (the ‘Act’) for such non-adherence to provisions, shall stand waived provided that IRN for such invoices is obtained from the IRP within 30 days of date of invoice. This special procedure has been notified by the Board vide Notification No. 73/2020 – Central Tax dt. 01.10.2020⁶.

B. 42nd GST Council

The Council has made the following recommendations:

i. Returns

- Due date for furnishing quarterly GSTR-1 revised to 13th of the succeeding quarter w.e.f. 01.01.2021
 - Current system of filing GSTR-1/3B return extended till 31.03.2021
 - From 01.01.2021, the following changes are proposed in GSTR-3B filing system:
 - Tax liability to be auto- populated from GSTR-1 filed by the registered person itself.
 - Details of input tax credit to be auto – populated from suppliers’ GSTR-1s through the newly developed facility in FORM GSTR-2B for monthly filers.
- *(However, for quarterly filers the same will come in effect from 01.04.2021).
- GSTR 1 to be mandatorily filed before GSTR-3B

⁶<https://www.cbic.gov.in/resources//htdocs-cbec/gst/notfctn-73-central-tax-english-2020.pdf>

- The council's earlier recommendation for registered taxpayers having aggregate annual turnover of less than Rs. 5 crores to file quarterly returns with monthly payments to be implemented w.e.f. 01.01.2021
 - Such quarterly taxpayers would, for first two months of quarter, have an option to pay 35% of the net cash tax liability of the last quarter using an auto generated challan
- ii. Revised requirement for Declaration of HSN Code for goods and SAC for services in invoices and GSTR – 1 (*w.e.f. 01.04.2021*)
- Taxpayers with aggregate annual turnover above Rs. 5 crores, to declare HSN/SAC code at 6 digits.
 - Taxpayers with aggregate annual turnover up to 5 crores, to declare HSN/SAC code at 4 digits for B2B supplies.
 - Government to have power to notify 8-digit HSN, on notified class of supplies for all taxpayers.
- iii. Compensation Cess:
- Compensation Cess to be extended beyond the transition period of five years i.e. beyond June 2022, for such period as may be required to meet the revenue gap.
 - Rs 20,000 crore of Compensation Cess to be released by the Centre to States on 05.10.2020 towards loss of revenue during 2020-21 and an amount of about Rs 25,000 crore to be released towards IGST of 2017-18 by the week after.
- iv. Refund to be paid/disbursed in a validated bank account linked with the PAN & Aadhaar of the registrant w.e.f. 01.01.2021
- v. Provision of filing Nil FORM CMP-08 through SMS.
- vi. Satellite launch services supplied by ISRO, Antrix Corporation Ltd. and NSIL exempted from GST in order to encourage domestic launching of satellites particularly by young start-ups

Vaish Associates Advocates Comments:

- The relaxation in penalty clause for reporting B2B and export invoices on IRP for the month of October comes as a relief as such deferral gives additional time to registered persons to prepare themselves.
- The extension of issuing B2C invoices with QR code also comes as a relief to registered taxpayers.
- Expansion of scope of registered persons required to issue e-invoice and invoice with QR code tends to create confusion without giving sufficient time for such persons to prepare.
- The aforesaid recommendations for quarterly filing with monthly payment option for small taxpayer aims at providing compliance relief for small taxpayers which is a positive step towards ease of business.
- The change in return filing system, categorically the auto-generation of GSTR-3B from GSTR-1 will lead to reduction in time consumption in accumulating details for filing GSTR-3B however, the compliance relief will also result in additional reconciliation of data.

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