

GST ARTICLE

E-Invoicing: Whether game changer for GST

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BACKGROUND

It's been two and half years since the nation-wide roll out of the Goods & Services Tax (GST). However, till date, one of the significant areas where the full potential of the tax reform has not been achieved is the compliance process under GST.

Lack of simplicity in return filing system coupled with technical glitches has forced the law makers time and again to roll back the concept of invoice matching in the GST regime. Claiming fictitious Input Tax Credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax authorities. Every day, a new ITC fraud is unearthed by GST Authorities, somewhere or the other across India.

A new system of generating the tax invoice with the help of the electronic network (e-invoicing) is expected to address the dual challenge of simplifying tax compliance as well as eliminate bogus invoicing. The e-invoice system is expected to help curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities will have access to data on real-time basis.

The Government has been striving to overcome these deficiencies and as a result has proposed to implement the new return filing system w.e.f. April 1, 2020 to meet the initial basic objective of GST to avail ITC based on invoice-matching concept.

With the emerging concerns of low tax collection and increasing tax evasion, the Government has put forth a system of Electronic Invoicing expected to be implemented from April 1, 2020.

The implementation of new return filing system supplemented with e-invoicing may prove to be great impetus for taxpayers as well as the Government, if successfully implemented with robust technology.

The author provides an overview and summarises the various key aspects of e-invoicing system and its applicability.

WHAT IS E-INVOICING

Many people have perplexities regarding e-Invoicing, whether generation of invoice from computer system/ software is considered as an e-invoice or it means generation of invoices from any Central portal.

By way of a concept note titled "Proposed E-invoicing System", Government intends to explain as to what is an e-invoice and its manner of generation. Additionally, the e-invoice schema and template, as approved by the GST Council, are available on the GSTN website. Concept note and other relevant material can be accessed at <https://www.gstn.org/e-invoice/>

The concept note allayed the concerns of the taxpayers and addressed the apprehensions of various taxpayers that there is no requirement to generate the e-invoice on a Government tax portal. The taxpayer can continue to use his accounting system such as ERP, Tally and excel based tools for creating the invoice. The only requirement is the taxpayer's software should be able to generate the invoice in a specified template in JSON format.

E-invoice is an invoice which has unique invoice reference number ('IRN') generated by Invoice Registration Portal ('IRP').

E-INVOICING ROLL OUT DATE AND ITS APPLICABILITY

The system of e-invoicing shall be enabled for all taxpayers in a phased manner:

Particulars	Applicability criteria	Effective date
Voluntary Basis	Suppliers having turnover above Rs. 100 crores but less than 500 crores	February 1, 2020
	Suppliers having turnover above Rs.500 crores	January 1, 2020
Mandatory	Suppliers having turnover above Rs. 100 crores	April 1, 2020

E-INVOICE WITHOUT IRN IS NOT A VALID INVOICE UNDER GST

W.e.f. April 1, 2020, it shall be mandatory to issue e-invoice and any invoice issued by the above specified class of person without IRN shall not have any legal validity in the eyes of GST law and hence, it may be construed that supply itself has not taken place.

TYPES OF DOCUMENTS COVERED UNDER E-INVOICING

The word E-invoicing does not restrict itself with generation of 'invoice' only, below-mentioned documents should also carry IRN generated on IRP portal by the supplier:

- Invoice (Domestic as well as export, supplies to SEZ etc.)
- Credit Note;
- Debit Note;
- Advance receipt voucher and refund voucher
- Any document required to be generated under GST;

TYPES OF TRANSACTIONS COVERED UNDER E-INVOICING

- Business to Business - B2B transactions
- Business to Government - B2G transactions
- Quick Response (QR) Code on B2C Invoice is mandatory for registered person, whose aggregate turnover in a financial year exceeds 500 Crores (*Introduction of E-invoicing in case of B2C is matter of utmost importance since maximum amount of fraud and tax evasion takes place through B2C sales, as no ITC is involved. An essential goal for such a system must be to plug this increasing loophole and lay down a transparent mechanism so that customers are able to report non-compliant GST invoice which eventually may curb tax evasion.*)

GOVERNMENT PREPAREDNESS FOR E-INVOICING SYSTEM

Government is actively working to ensure that new project is implemented effectively. Various workshops are being conducted across India in order to educate the taxpayers and provide information about the working of the framework.

Another significant aspect that is worthwhile to note is capacity of IRP system to handle loads of data/ information on real time basis. It appears that based on data reported by suppliers in GSTR-1 for last two and half years, Government is determined to build IRP system competent to handle enough load of real time upload.

The Government has notified ten (10) Common Goods and Services Tax Electronic Portal (IRP portals) to be used for the preparation of e-invoice.

Here, it is pertinent to understand the fact that IRP shall store details of a invoice for the limited period of 24 hours.

Hence, it gives the impression that there will be slighter likelihoods of inconvenience. The ten e-invoicing portals were expected to be operational w.e.f. January 1, 2020, however, same is not made operational till date. Once these IRP starts functioning it would provide an adequate opportunity to the taxpayers as well as Government to address any technical and/ or operational concerns of portal before its final roll-out on April 1, 2020.

HOW E-INVOICING SHALL WORK

Step	Particulars
1	Supplier would be required to generate JSON file of outward supplies filling mandatory parameters as prescribed in schema, using its own accounting/ ERP system or by using Offline tool <i>(It is expected that offline tool to generate json would be released by Govt.)</i>
2	Supplier will upload the JSON on the IRP
3	IRP will verify details like invoice number, GSTINs and shall generate IRN or validate IRN of JSON if already uploaded by the supplier. IRP will add its digital signature on the invoice data as well as a QR code to the JSON.
4	Supplier will download digitally signed JSON with IRN along with a QR code. IRP will share back digitally signed e-invoice to seller and recipient if Email ids are mentioned on the e-invoice

ABOUT IRN AND QR CODE

IRN is number generated by IRP which shall be unique for each invoice for the entire financial year. unique IRN shall be generated based on three parameters i.e.

- a) Supplier GSTIN;
- b) Supplier's invoice number; and
- c) The Financial year in 'YYYY-YY' format.

On the other hand, Quick Response (QR) code contains the vital parameters of the invoice like GSTIN of the seller and buyer, invoice number, invoice date, invoice value, HSN and IRN. Accordingly, QR code would enable the recipient to view and validate the invoice

Eventually, IRP would share the uploaded invoice data with GST system and e-way bill system on real time basis which can be eventually verified by buyer and used for reconciliation.

FEW SIGNIFICANT AREAS OF E-INVOICING

Integration of IRP with GST system and E-way bill: The GST system after validation, makes the e-invoice data available in:

- ANX-1 (annexure of outward supplies in new return filing system) for the seller, and in
- ANX-2 (annexure of inward supplies in new return filing system) for the buyer. Buyer would be given an option to accept or reject the transaction.
- GST system, further, will determine tax liability and input tax credit.
- On the other hand, e-way bill system would create Part-A of e-way bill using the invoice data uploaded on IRP portal. Only vehicle number must be added in Part-B of the e-way bill.

Option to cancel the e- invoice: No partial cancellation is allowed. Supplier would have only 24 hours to cancel an invoice (if any) through IRP portal. Any cancellation after 24 hours would have to be carried out on GST system while filing returns.

Amendment to the e-invoice: No amendment to the e-invoice are allowed on IRP portal. All amendment must be done on GST portal only.

Printing of e-invoice: Using QR code, both supplies as well as recipient can print and verify the entire e-invoice.

WAY-FORWARD FOR SUPPLIERS

With the advent of E-invoicing which was expected to be operational from January 1, 2020 on voluntary basis, even after 17 days, notified IRP is not yet active. It would be imperative that supplier get adequate time frame to acquaint themselves with new reform during trial run and evaluate the necessary changes that may be required in their existing ERP systems.

Like the new return system, a trial version for E-invoicing will help put things in place. This will give taxpayers and professionals a real time working experience and any issues arising during the trial can be resolved before a full-fledged implementation.

Given the above, there are certain aspects which are yet to be notified/ clarified by the Government. There is possibility that Government may notify the generation of e-invoice in case invoice value exceeds a particular amount.

Additionally, one is not aware about the time-limit within which the supplier has to generate e-invoices. This would be significant considering the deadline for filing of ANX-1. It is expected that entire end-to-end workflow of e-invoice mechanism will be provided at the time of roll-out.

E-invoicing is a significant foreseeable business reform than tax reforms for smooth running of business. It would play a prominent role in establishing transparency between suppliers, recipient and eventually tax department. It is observed in France that 52% of the businesses view cost reduction as principal advantage of due to E-invoicing - Digital Transformation, whereas in Australia, businesses find its 70% cheaper to prepare e-invoice as compared to paper invoice or PDF invoice.

Currently, there exists approximately 60 countries which have adopted this method of invoice generation and India could be one such country soon to be added to this list. The concept of E-invoicing would move India closer to the digital economy and improve ease of doing business. However, its impact and its contribution in facilitating business transactions can be analysed in detail only after the e-invoicing system becomes operational.

"During the three months starting from January 1, 2020, lets gear up our ERP for the upcoming reform and may this new year rid the GSTN portal of IT glitches !!"

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