NITYA tax associates

NITYA'S INSIGHT | Issue 84

E-Invoicing - A Taxation and Business reform

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A. Introduction

The GST Council approved the Schema (Standard technical specifications) of an Electronic Invoice in its 37th meeting, held on September 20, 2019. On December 13, 2019 and January 1, 2020, the Central Government issued various Notifications to align GST law on this aspect. Recently, the Government has launched E-Invoice API Developer's Portal, accessible at https://einv-apisandbox.nic.in where E-Invoice APIs will be released for smooth integration of ERP and ASP software with Government portal ('Invoice Registration Portal' / 'IRP').

As on date, the following documents are available in public domain on this subject:

- Notification No. 68/2019 to 72/2019-Central Tax dated December 13, 2019 and Notification No. 2/2020-Central Tax dated January 1, 2020
- Schema and Template
- Concept Note including FAQs ('Old FAQs')
- Additional and updated FAQs on E-Invoice concept, flow and schema ('New FAQs')
- List of APIs

The new invoicing system (E-Invoicing) is designed to ensure the following:

- Auto-population of periodical returns / statements like GSTR-1 / ANX-1, ANX-2 etc. and thereby eliminating manual data entry errors
- Elimination of need of uploading details in PART-A of E-way Bill
- Curtailing tax evasion and fake invoicing by complete trail being available with the Government on real-time basis

To achieve the abovementioned objectives, it is a pre-requisite that all invoices generated by taxpayers using different accounting software ('ERP') are transmitted to IRP in a universal coding language. In other words, all ERP need to generate invoice with same coding language which can be transmitted and interpreted by the IRP. The Schema released by Government provides the required fields to be incorporated by ERP for generation of an invoice and the manner of its transmission to IRP.

B. Applicability

Effective date	**April 1, 2020** *(From January 1, 2020, taxpayers with aggregate turnover exceeding ₹ 500 Crore are given an option to adopt E-Invoicing on voluntary basis. Further, news reports indicate that taxpayers with aggregate turnover exceeding ₹ 100 Crore will have this option from February 1, 2020)*
Class of persons	Registered person with aggregate turnover exceeding ₹ **100 Crore** ***NITYA Comments:*** *The Notification is silent on which Financial Year's (FY) turnover shall be reckoned for computing threshold of ₹ 100 Crore. In our view, turnover of FY 2019-20 should be considered.* *In our view, even a taxpayer having turnover less than ₹ 100 Crore may voluntarily choose to comply with E-Invoicing.*
Nature of transactions	Supply of **goods or services** or both **to registered persons** ***NITYA Comments****: Both old and new FAQs clarify that E-Invoicing compliance needs to be done for exports as well. In a separate question, new FAQs clarify that uploading of B2C invoices on IRP will be allowed in long run. While the FAQs suggest contrary, Notification requires E-Invoicing only for supplies made to GST registered persons.* *The Concept Note and FAQs also require reporting of credit note, debit note and ISD invoice on IRP. However, no Notification has yet been issued in this regard.* *In our view, there is no requirement to issue E-Invoice in case of exports or to report credit note and debit note on IRP since the same are not legally required. As discussed above, a taxpayer may however decide to adopt E-Invoicing for entire business i.e. for supplies to registered as well as unregistered persons and for all types of documents for maintaining uniformity.*

*[Refer: **Notification No. 70/2019 – Central Tax** dated **December 13, 2019**]*

C. Form and Manner

Invoice shall be prepared after obtaining an Invoice Reference Number (‘IRN’) from IRP. Invoice must contain certain particulars (as prescribed in FORM GST INV-01) in addition to particulars presently prescribed under Rule 46 of the Central Goods and Services Tax Rules, 2017 (‘CGST Rules’). Out of additional particulars contained in FORM GST INV-01, certain particulars are mandatory while others are optional. These have been listed in Annexure appended to this document.

For E-Invoice, there is no requirement of generating 3 copies in case of goods (Original for Recipient, Duplicate for Transporter and Triplicate for Supplier). and 2 copies in case of services (Original for Recipient, Duplicate for Supplier).

NITYA Comments: *There are multiple inconsistencies in mandatory particulars contained in FORM GST INV-01 and those required under Rule 46 of the CGST Rules. The new FAQs clarify that suitable Notifications will be issued in order to remove such inconsistencies.*

The Notification provides that where a person required to issue an E-Invoice, does not issue the same in the prescribed manner, ***such document will not be treated as an invoice****. Notably, uploading every invoice (as and when generated) on IRP in JSON form, will be a big operational challenge specifically during the month end when huge number of invoices are generated.*

New FAQs clarify that JSON of E-Invoice received from IRP will be readable by ERP and taxpayers’ systems will be updated with the registered E-Invoice. Further, such JSON can be sent to recipient as well to update the same in its system.

Moreover, since no other document will be considered as an Invoice, the recipient will demand E-Invoice. Here, it is important to note that in case supplier does not issue E-Invoice (where it is statutorily required to do so), ITC may be denied to the recipient.

[Refer: ***Notification No. 68/2019 – Central Tax*** dated ***December 13, 2019*** read with ***Notification No. 02/2020-Central Tax*** dated ***January 1, 2020***]]

D. Generation of IRN

IRN (Invoice Reference Number) is a unique reference number of an invoice based on computation of hash of 3 parameters i.e. Supplier's GSTIN, Supplier's Invoice Number and Financial Year (e.g. 1Z2319). IRP shall generate and register IRN. Alternatively, the supplier can generate IRN in which case IRP will verify it for de-duplication and after verification, validate the same and register it.

E. Generation of QR Code

Supplies to unregistered persons by a registered person with aggregate turnover exceeding ₹ 500 Crore [Refer: ***Notification No. 31/2019*** dated ***June 28, 2019*** read with ***Notification No. 71/2019 – Central Tax*** dated ***December 13, 2019*** and ***Notification No. 72/2019 – Central Tax*** dated ***December 13, 2019*****]**	Invoice need to carry a QR code ***NITYA Comments:*** *This is in alignment with the insertion of Section 31A in the Central Goods and Services Tax Act, 2017 vide the Finance Act, 2019. The provision was introduced to provide modes of electronic payment to the recipients to promote the same.*
Supplies to registered persons by a registered person with aggregate turnover exceeding ₹ 100 Crore [Refer: **Concept Note and FAQs]**	• When JSON of invoice will be sent on IRP, IRP will generate a QR code. QR code will contain digital signature and the following important particulars of an E-Invoice: – GSTIN of supplier and recipient – Invoice number given by supplier and IRN – Date of generation of invoice – Invoice value (taxable value and tax) – Number of line items – HSN of main item (highest value item) • QR code can be verified on an Offline App. The Offline App will be released by GSTN and will be available with everyone to read and verify the important particulars of an invoice • QR code will enable on road tax officers to verify the invoice without internet facility as well

	***NITYA Comments:** Old FAQs suggest that the supplier may print QR code on invoice at its discretion while new FAQs mandate its printing on invoice. The mandatory requirement of printing QR code is expected to be notified in future.*

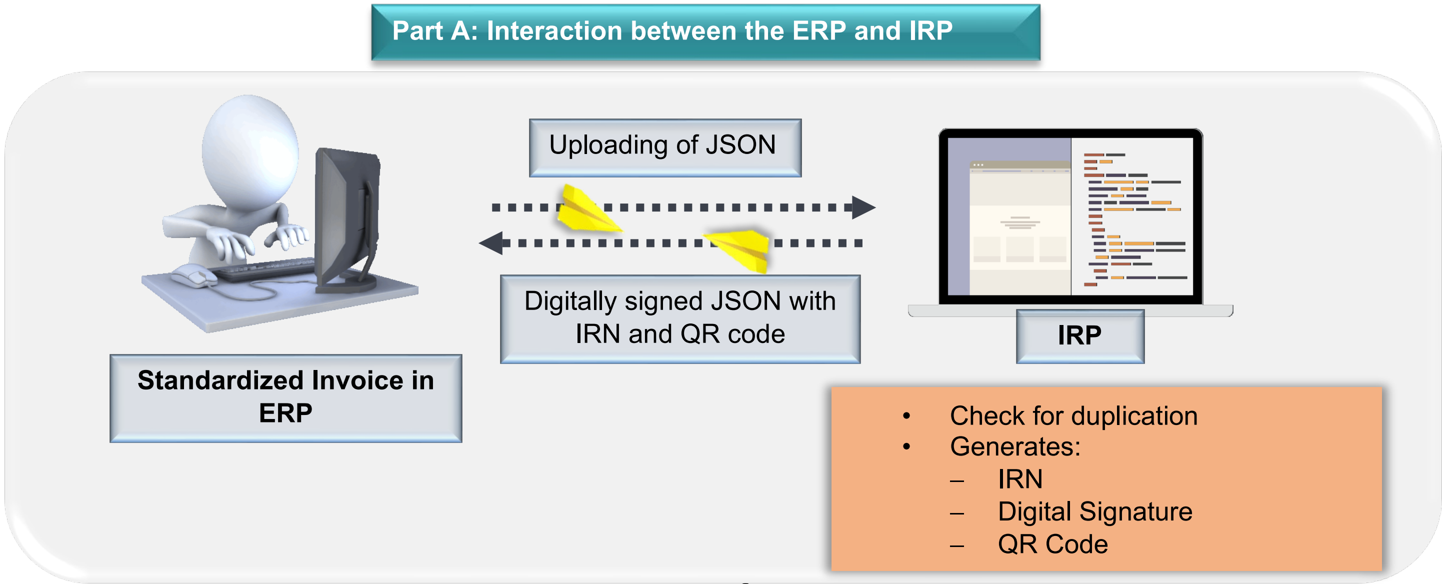
F. Signature / Digital Signature

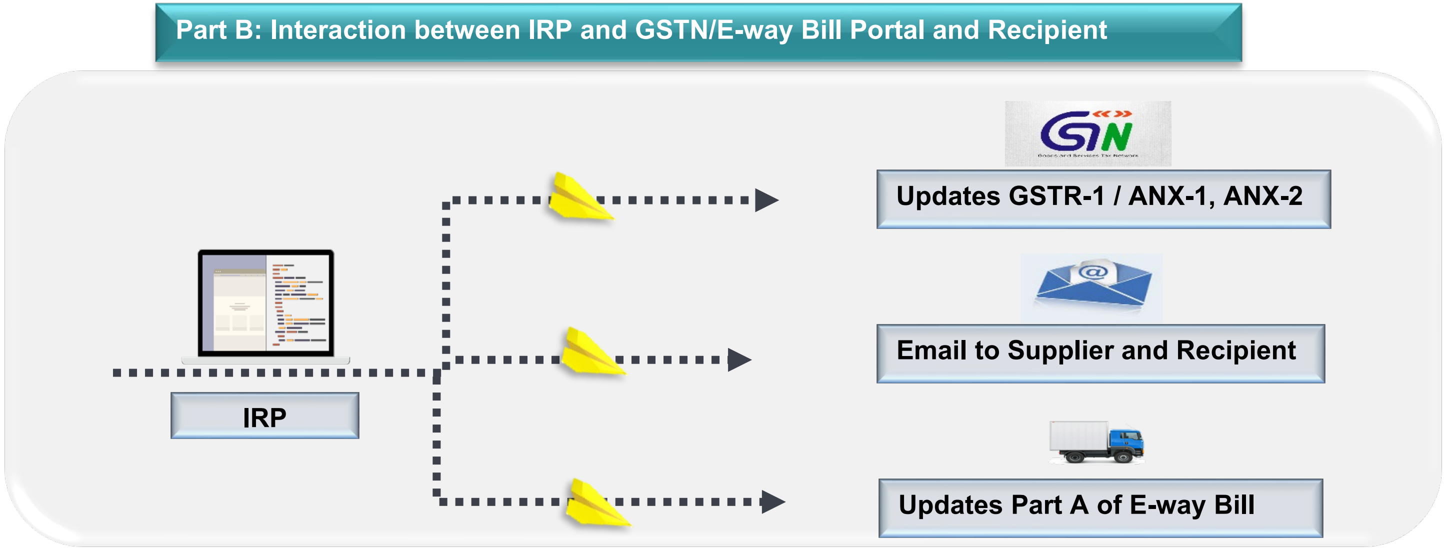
The requirement of Signature / Digital Signature of supplier or his authorized representative remains intact. Notably, FAQs clarify that IRP will sign E-Invoice and supplier may at its option, upload signed JSON on IRP (but this is not mandatory).

***NITYA Comments:** In our view, unless the requirement of signature on an invoice is waived off under the CGST Rules, the taxpayers need to continue to sign invoices in addition to digital signature of IRP.*

G. Process

E-Invoice system has following two dimensions:





NITYA Comments: *While the Concept Note specified that IRP will mail the registered invoice both to supplier and recipient on e-mail ids provided on the invoice, new FAQs clarify that IRP will not mail Invoices. This facility is likely to be introduced in future.*

H. **Notified IRPs** *[Not functional as on date]*

- www.einvoice1.gst.gov.in
- www.einvoice2.gst.gov.in
- www.einvoice3.gst.gov.in
- www.einvoice4.gst.gov.in
- www.einvoice5.gst.gov.in
- www.einvoice6.gst.gov.in
- www.einvoice7.gst.gov.in
- www.einvoice8.gst.gov.in
- www.einvoice9.gst.gov.in
- www.einvoice10.gst.gov.in

[Refer: ***Notification No. 69/2019 – Central Tax*** dated ***December 13, 2019***, effective from January 1, 2020]

I. Other key points

- IRN can be generated through multiple modes such as Web, **API**, SMS, Mobile application, Offline tool and GSP. In case it is generated through API based registration, ERP will be integrated with IRP to get IRN on real-time basis.

- The old FAQs suggest that maximum number of line items per E-Invoice is 100 while new FAQs provide this number to be 10,000.

- IRP will store invoices for 24 hours. Post that, invoices will be sent to Central Registry wherein these will remain stored.

- Invoices uploaded on IRP can be cancelled within 24 hours. After 24 hours, invoices can only be manually deleted on GST portal before filing returns. Amendment of E-Invoice is permitted only at the time of filing GST returns.

- The requirement to carry E-way Bill in physical form or E-way Bill number in electronic form during movement of goods will remain intact as being done presently.

- E-Invoice returned back by IRP can be downloaded as well as printed by both supplier and recipient.

J. Benefits of E-Invoicing system

- The new process will resolve issues for claiming credit on the following expenses (where possession of an invoice is a practical challenge at present):

  - Bank charges;
  - Airline service (incurred by air travel agents); and
  - Various expenses (incurred by CHA)

  Unlike the present situation, all the invoices issued by suppliers will be automatically mailed to the recipients by IRP provided the supplier mentions e-mail id of the recipient on invoice.

- The taxpayers will not be required to carry invoice during movement of goods. IRN generated by IRP will suffice for verification by the proper officer. Such IRN shall be valid for 30 days [Refer: ***Rule 138A(2) of the CGST Rules***].

K. Way Forward

- The Government needs to issue suitable Notifications to remove inconsistencies between E-Invoice template and GST law. The inconsistencies arising out of contrary clarifications in Concept Note and FAQs, also need to be ironed out.

- The Government needs to notify the time limit for registering an invoice on IRP.

- The Government needs to release API specification details of IRP through which ERP and ASP solution providers will integrate their software with IRP.

- The supplier needs to align ERP to standardize the coding of E-Invoice as per Schema released by the Government.

- The supplier needs to get ERP enabled for generating a JSON of E-Invoice that is to be uploaded on IRP.

- The supplier needs to decide if JSON should be uploaded manually or through GSP / ASP.

NITYA Comments: *The taxpayers should immediately approach their ERP service providers to ensure that all requisite compliances for generation of an E-Invoice are timely undertaken.*

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Annexure

S. No.	Field	Particulars to be sent to IRP	Particulars to be printed on Invoice
Invoice Information			
1.	Version Number of Schema	Mandatory	Mandatory
2.	IRN	Optional	Mandatory
3.	Code for Invoice type such as B2B / B2C / SEZWP / SEZWOP / EXPWP / EXPWOP / DEXP / ISD / BOS / DC	Mandatory	Mandatory
4.	Sub-Code for Invoice type such as Regular / Debit Note / Credit Note	Mandatory	Mandatory
5.	Invoice Currency Code (default INR)	Mandatory	Optional
6.	Advance paid	Mandatory	Mandatory
7.	Outstanding amount	Mandatory	Mandatory
8.	Tax scheme (GST / VAT / Excise etc)	Mandatory	Mandatory
9.	Batch Number / Name	Mandatory	Mandatory
Supplier's Information			
10.	Supplier's Trade Name	Optional	Optional
11.	Pin Code of supplier	Mandatory	Mandatory
12.	Supplier's E-mail id and Phone number	Optional	Optional
Buyer's Information			
13.	Buyer's Trade Name	Mandatory	Mandatory
14.	Pin Code of buyer	Mandatory	Mandatory
15.	Buyer's E-mail id and Phone number	Optional	Optional
Ship to Information			
16.	Ship to Trade Name	Mandatory	Mandatory
17.	Ship to GSTIN	Mandatory	Mandatory
18.	Ship to Pin Code	Mandatory	Mandatory
19.	Supply type (Supply / Export / Job-work)	Not specified	Mandatory
20.	Transaction type (Regular / Bill to / Ship to)	Not specified	Mandatory
Dispatch from Information			
21.	Company Name	Mandatory	Mandatory

22.	Address with Pin Code	Mandatory	Mandatory
Payment Information			
23.	Payee's details (Name, Account Number, IFSC code)	Mandatory	Mandatory
24.	Mode of payment (Cash / Credit / Direct Transfer)	Mandatory	Mandatory
25.	Payment terms and payment instructions	Optional	Optional
26.	Credit days	Optional	Optional
Item Details			
27.	Item Bar Code	Optional	Optional
28.	Detail of free items	Optional	Optional
29.	Item rate per quantity	Mandatory	Mandatory
30.	Item wise tax amount (IGST, CGST, SGST separately)	Optional	Mandatory
31.	Item wise cess amount (Central and State separately)	Optional	Optional
32.	Discount, freight, insurance, packaging and forwarding, roundoff and other charges (if any)	Optional	Optional
33.	Item total	Mandatory	Optional
34.	Purchase order reference	Optional	Optional
35.	Origin country of item	Optional	Optional
E-way Bill Information			
36.	Transporter Id	Mandatory	Optional
37.	Mode of transportation	Mandatory	Not specified
38.	Distance of transportation	Mandatory	Not specified
39.	Transporter Name, Document Number and Document Date	Optional	Not specified
40.	Vehicle Number	Mandatory	Optional
Other Information			
41.	Delivery or Invoice period	Optional	Optional
42.	Order and Sales Order reference	Optional	Optional
43.	Other references such as contract reference, tender reference, project reference etc	Optional	Optional
44.	Remarks	Optional	Optional

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