



NITYA INSIGHT | Issue 161

E-Invoicing - A Taxation and Business reform – Version 3

August 4, 2020

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, January 1, 2020 and July 30, 2020, the Central Government issued various Notifications to align GST law on this aspect. The Government has also released E-Invoice APIs for smooth integration of ERP and ASP software with Government portal ('Invoice Registration Portal' / 'IRP'). The APIs can be fetched by registering on E-Invoice API Developer's Portal, accessible at <https://einv-apisandbox.nic.in>.

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**
- Updated Schema basis **Notification No. 60/2020-Central Tax** dated **July 30, 2020 ('NN 60/2020')**
- Updated Concept Note including FAQs dated February 12, 2020 ('Updated Note and FAQs')
- Proposed '**Standard E-Invoice Messaging Protocol**' discussing possible modes for transmission of data
- E-Invoice 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 Concept Note provides the manner of its transmission to IRP.

B. Applicability

<p>Effective date</p>	<p>October 1, 2020</p> <p><i>NITYA Comments: At a recent event, the Government indicated to implement E-invoicing for taxpayers with aggregate turnover exceeding Rs.100 Crores once the system stabilizes.</i></p>
<p>Class of persons</p>	<p>Registered person with aggregate turnover exceeding Rs. 500 Crores</p> <p><i>NITYA Comments: The Notification is silent on which Financial Year's (FY) turnover shall be reckoned for computing threshold of Rs. 500 Crores. The Updated Note and FAQs clarify that aggregate turnover shall be taken PAN wise and of previous financial year. The aggregate turnover would also include value of stock transfer between distinct persons.</i></p>
<p>Nature of transactions</p>	<p>Supply of goods or services or both to registered persons</p> <p><i>NITYA Comments: Updated Note and FAQs clarify that E-Invoicing compliance needs to be done for exports as well (even though such supplies are to unregistered person). In a separate question, Updated Note and FAQs clarify that B2C invoices are currently exempted from E-Invoicing and may be allowed in long run.</i></p> <p><i>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.</i></p> <p><i>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. A notification is expected in future to remove such anomalies.</i></p>

[Refer: **Notification No. 68/2019-Central Tax** dated **December 13, 2019** and **NN 60/2020**]

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. All E-Invoice particulars are listed in Annexure 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 were multiple inconsistencies in mandatory particulars contained in FORM GST INV-01 and those required under Rule 46 of the CGST Rules. The recent notification issued on July 30, 2020 has removed 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.*

Updated Note and 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.

Notably, it is not clear whether all particulars as mentioned in Form INV-01 needs to be printed on invoice or not.

*[Refer: **Notification No. 68/2019-Central Tax** dated **December 13, 2019** read with **NN 60/2020**]*

D. Generation of IRN

IRN (Invoice Reference Number) is a unique reference number of an invoice based on computation of hash of 4 parameters i.e. Supplier's GSTIN, Document Number, Document Type and Financial Year (e.g. 1Z2319). IRP shall generate IRN, verify it from Central Registry for de-duplication and

after verification, register it. Central Registry will be a Government repository, where all IRNs will remain stored as IRP database will be deleted after every 24 hours (option for supplier to generate IRN has been withdrawn).

E. Generation of QR Code

<p>Supplies to unregistered persons by a registered person with aggregate turnover exceeding Rs. 500 Crores</p> <p>[Refer: Notification No. 31/2019-Central Tax 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]</p>	<p>Invoice need to carry a QR code</p> <p><i>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.</i></p>
<p>Supplies to registered persons by a registered person with aggregate turnover exceeding Rs. 500 Crores</p> <p>[Refer: Updated Note and FAQs]</p>	<ul style="list-style-type: none"> • When JSON of invoice will be sent on IRP, IRP will generate a QR code string. QR code will be digitally signed and will contain the following important particulars of an E-Invoice: <ul style="list-style-type: none"> – GSTIN of supplier and recipient – Invoice number given by supplier – IRN – Date of generation of invoice – Invoice value (taxable value and tax) – Number of line items – HSN of main item (highest value item) • ERP will read and convert the QR code string received from IRP into QR code image. • 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. Full invoice can only be seen by

	<p>supplier, recipient and tax officer on GST / E-way Bill system.</p> <ul style="list-style-type: none"> • QR code will enable on road tax officers to verify the invoice without internet facility as well <p><i>NITYA Comments: Updated Note and FAQs mandate printing of QR code on invoice. Further QR code will contain IRN. It has been clarified that IRN <u>may be</u> extracted from QR code and be placed on the E-Invoice. Accordingly, the Updated Note and FAQs do not clearly specify if IRN shall be separately mentioned on the E-Invoice or not.</i></p> <p><i>There has been no Notification mandating QR code on an invoice, neither the same is a prescribed particular in FORM INV-01. On the other hand, IRN is a mandatory particular in FORM INV-01. This anomaly is expected to be removed in future, by issuance of a suitable notification.</i></p>
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F. Signature / Digital Signature

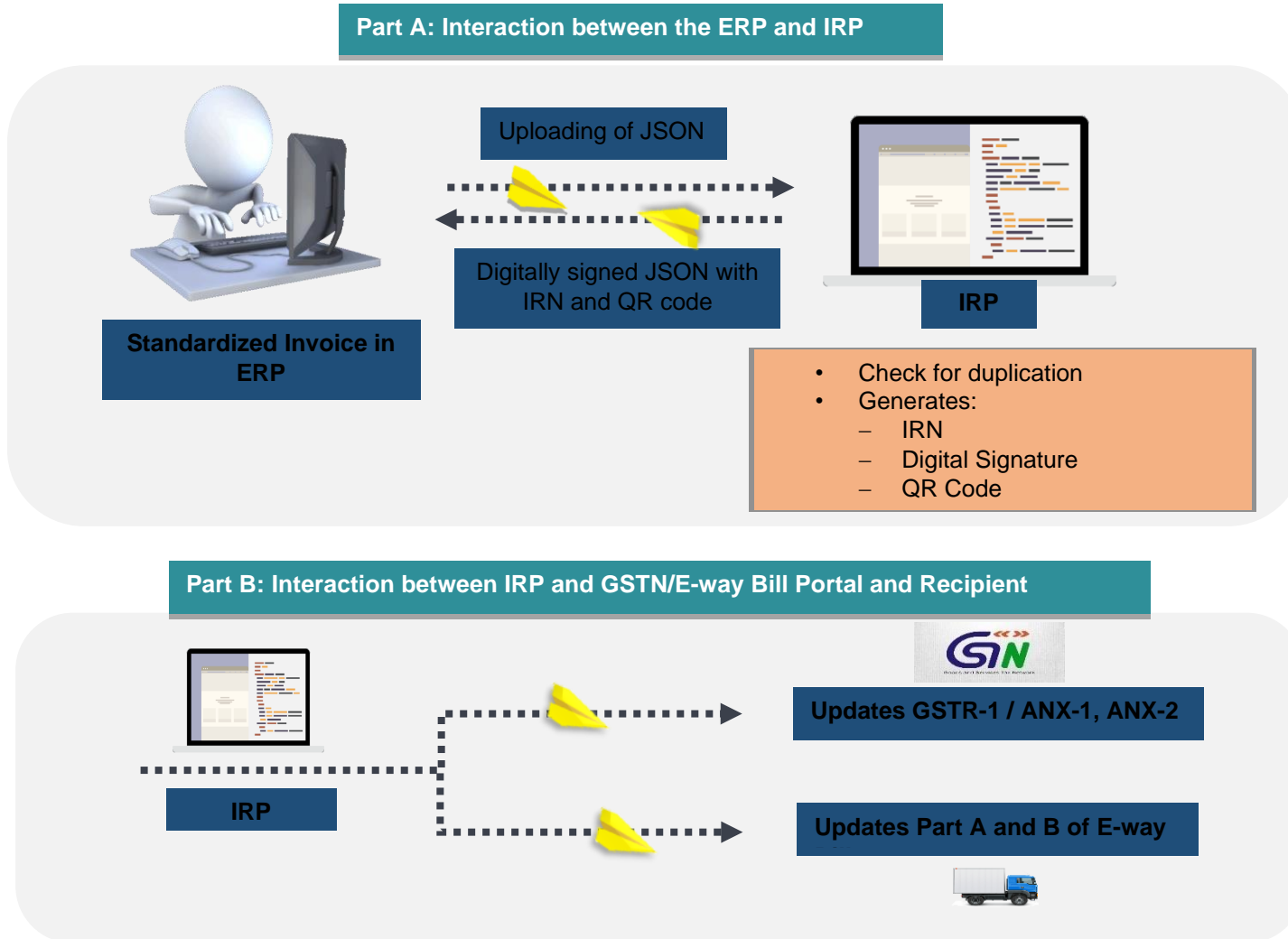
IRP will add digital signature to E-Invoice and validate it.

The Updated Note and FAQs clarify that requirement of signature of supplier will not be there as IRP will digitally sign the invoice. Notably, no such amendment has been made in the CGST Rules and it has been clarified in FAQs that rules will be updated to address these issues.

***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. The same may be done before sending JSON to IRP or afterwards in PDF / hard copy of invoice.*

G. Process

E-Invoice system has following two dimensions:



NITYA Comments: While earlier it was proposed that IRP will mail the registered invoice both to supplier and recipient on e-mail ids provided on the invoice, Updated Note and FAQs clarify that IRP will not mail Invoices. This facility might 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 API, 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. Through API mode, IRN for multiple invoices can be generated in one go.
- 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.
- JSON returned back by IRP can be downloaded, converted into PDF as well as printed by both supplier and recipient.

- While Rule 138A(2) of the CGST Rules provides that IRN generated by IRP will suffice for verification by the proper officer, the Updated Note and FAQs provide that relevant changes will be notified in respect of requirement of physical copy of invoice during movement. A clarity in this regard is expected in future.

J. Way Forward

- The Government needs to issue suitable Notifications to remove inconsistencies (like Debit Note, Credit Note and Export Invoice) between GST law and Concept Note and FAQs.
- The Government needs to make the IRPs functional.
- The supplier needs to do a gap analysis of fields presently captured in ERP and fields that will be required to be captured for generating invoice as per FORM INV-01. ERP will accordingly be customized.
- The supplier needs to make changes in 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 and to read the JSON received back from 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
Invoice Information		
1.	Version Number of Schema	Mandatory
2.	Document Number	Mandatory
3.	Document Date	Mandatory
4.	IRN	NA
5.	Code for Supply type such as B2B / B2C / SEZWP / SEZWOP / EXPWP / EXPWOP / DEXP / ISD / BOS / DC	Mandatory
6.	Code for Document type such as INV / CRN / DBN	Mandatory
7.	Invoice Currency Code (default INR)	Optional
8.	Is the liability payable under reverse charge*	Optional
9.	IGST applicability despite recipient and supplier are located in same State	Optional
Supplier's Information		
10.	Supplier's Legal Name	Mandatory
11.	Supplier's Trade Name	Optional
12.	Supplier's GSTIN	Mandatory
13.	Supplier's Address with State Code and Pin Code	Mandatory
14.	Supplier's City / Town / Village	Mandatory
15.	Supplier's E-mail id and Phone number	Optional
Recipient's Information		
16.	Recipient's Legal Name	Mandatory
17.	Recipient's Trade Name	Optional
18.	Recipient's GSTIN	Mandatory
19.	Billing Place of Supply (State Code)	Mandatory
20.	Recipient's Address with State Code and City / Town / Village	Mandatory
21.	Recipient's Pin Code and export Country Code	Optional
22.	Recipient's E-mail id and Phone number	Optional
Ship to Information		
23.	Ship to Legal Name	Mandatory

24.	Ship to Trade Name	Optional
25.	Ship to GSTIN	Optional
26.	Ship to City / Town / Village	Mandatory
27.	Ship to Address with State Code and Pin Code	Mandatory
Dispatch from Information		
28.	Company Name	Mandatory
29.	Address with State Code and Pin Code	Mandatory
30.	City / Town / Village	Mandatory
Item Details		
31.	Serial Number	Mandatory
32.	Description*	Optional
33.	Whether Supply is service or not (Y/N)	Mandatory
34.	HSN	Mandatory
35.	Batch Details**	Optional
36.	Bar Code	Optional
37.	Quantity for goods	Mandatory
38.	Free Quantity	Optional
39.	UQC*	Optional
40.	Price per quantity	Mandatory
41.	Gross Amount	Mandatory
42.	Discount	Optional
43.	Pre-Tax Amount	Optional
44.	Item taxable value	Mandatory
45.	GST Rate (IGST, CGST, SGST separately)	Mandatory
46.	Compensation Cess Rate / value	Optional
47.	Item wise tax amount (IGST, CGST, SGST, Compensation Cess separately)	Optional
48.	Other Charges (if any)	Optional
49.	Item Total	Mandatory
50.	Purchase order reference	Optional
51.	Origin Country of item	Optional

Document Total		
52.	Total Invoice Value	Mandatory
53.	Total Taxable Value	Mandatory
54.	Total Advance Paid	Optional
55.	Total Outstanding Amount	Optional
56.	Total Tax (IGST, CGST, SGST separately)	Optional
57.	Total Cess	Optional
58.	Total Freight, Insurance, Packing Charges, Roundoff, Other Charges (if any)	Optional
59.	Total Discount, Total Other Charges	Optional
Other Information		
60.	Payee information	Optional
61.	E-Way Bill details**	Optional
62.	Delivery or Invoice period**	Optional
63.	Preceding document reference and Contract reference including tender reference, project reference etc.**	Optional
64.	Extra Information**	Optional

* While as per Rule 46 of the CGST Rules, this is a mandatory particular on an invoice, as per FORM INV-01, this is optional. A notification to bring consistency is expected in future.

** In case taxpayer decides to give details of this optional field, there are certain mandatory and optional sub-fields for this.



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