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E-Invoice Important Aspects Decoded

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ABSTRACT

Starting from 1st October 2020, the GST (Goods & Service Tax) Council introduced 'e-invoicing' or 'electronic-invoicing' for reporting of business to business (B2B) invoices under GST voluntarily. This standardized format has been implemented after rounds of discussions with industrial bodies as well as ICAI (The Institute of Chartered Accountants of India). Having this standardized invoice format under GST-eco system allows e-invoices to generate from one software to be read by another, hence, eliminating the need for manual data. 'E-invoicing' or 'electronic invoicing' is a system in which B2B (Business to Business) invoices are authenticated electronically by GSTN for further use on the common GST portal. Under the electronic invoicing system, an identification number will be issued against every invoice by the Invoice Registration Portal (IRP) to be managed by the GST Network (GSTN). Invoice information from this portal to both the GST portal and e-way bill portal. It will eliminate the need for manual data entry while filing GSTR-1 return as well as generation of part-A of the e-way bills. An e-invoice raised by a trader can be read by computer systems using dynamic QR code up or down the supply chain. The consumers can also integrate the data on their systems. The introduction of this in India will also enable the real-time tracking of invoices which in turn enables easy reconciliation of credit for the buyer, and minimizes tax evasion. Until now, GST returns had to be filed by manually uploading data. This new reform will reduce data entry and the resulting errors, and automate the return-filing process. Thus, this articles focuses on the concept of E-invoice, manner of issuing E-invoices under Rule 48 of CGST Rules, 2017, it's applicability, benefits, its process, E-invoice schema and so on.

I. INTRODUCTION

Companies across the globe are striving to achieve relative cost efficiencies and effective financial performance. Thus, removing paper from the invoicing process is an important step to achieve cost efficiencies. E-invoicing will help in overcoming the challenge of cost and effort involved in paper-based invoicing. Moreover, each year 12 million trees are cut down for paper-based invoices in Europe alone; therefore, an e-invoice will make a significant

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impact on sustainable development.

Starting from **1st October 2020**, the GST (Goods & Service Tax) Council introduced 'e-invoicing' or 'electronic-invoicing' for reporting of business to business (B2B) invoices under GST voluntarily. This standardized format has been implemented after rounds of discussions with industrial bodies as well as ICAI (The Institute of Chartered Accountants of India). Having this standardized invoice format under GST-eco system allows e-invoices to generate from one software to be read by another, hence, eliminating the need for manual data.

Through Notification Nos 60 and 61 of 2020, the CBIC (**Central Board of Indirect Taxes and Customs**) has introduced the system of e-invoicing. The **GST Council** approved the standard of e-invoice in its 37th meeting held on 20th September 2019 and the same along with schema is available on the GST portal. The threshold limit for those who have to mandatorily issue e-invoices has been generously increased from Rs.100 crore to Rs.500 crore.

II. WHAT IS E-INVOICE?

'E-invoicing' or 'electronic invoicing' is a system in which B2B (Business to Business) invoices are authenticated electronically by GSTN for further use on the common GST portal. Under the electronic invoicing system, an identification number will be issued against every invoice by the **Invoice Registration Portal** (IRP) to be managed by the GST Network (GSTN). Invoice information from this portal to both the GST portal and e-way bill portal. It will eliminate the need for manual data entry while filing GSTR-1 return as well as generation of part-A of the e-way bills. An e-invoice raised by a trader can be read by computer systems using dynamic QR code up or down the supply chain. The consumers can also integrate the data on their systems.

E-invoice does not mean the generation of invoices from a central portal of the tax department. Businesses will continue to generate e-invoices on their internal systems – whether ERP or their accounting/billing systems or any other application. The e-invoicing mechanism only specifies the invoice schema and standard to be inter-operable amongst all accounting/billing software and all businesses. The purpose is to standardize the format in which electronic data of an Invoice will be shared with others to ensure there is interoperability of the data.

The e-invoice system being implemented by tax departments across the globe consists of two important parts namely

- Generation of invoice in a standard format so that invoice generated on one system can be read by another system.
- Reporting of e-invoice to a central system.

III. MANNER OF ISSUING INVOICE (RULE 48)

Rule 48 of CGST Rules, 2017:

- (1) In the case of a supply of goods, the invoice shall be prepared in triplet, namely:
 - a. Original copy marked as original for the recipient.
 - b. Duplicate copy marked as a duplicate for the transporter.
 - c. Triplicate copy marked as triplicate for the supplier.
- (2) In case of a supply of services, the invoice shall be prepared in duplicate, namely:
 - a. Original copy marked as original for the recipient.
 - b. Duplicate copy marked as a duplicate for the supplier.
- (3) A serial number of invoices shall be furnished through the common portal in Form GSTR-1.
- (4) The invoice shall be prepared by such registered persons as may be prescribed by the Government on the recommendations of the Council, and including particulars contained in FORM GST INV-1 after obtaining an Invoice Reference Number by uploading information contained on the Common Goods and Service Tax Electronic Portal as according to the conditions and restrictions specified in the notification.
- (5) Every invoice issued by a person based on sub-rule (4), the invoice issued other than the rule specified shall not be treated as the invoice.
- (6) The provision of sub-rules (1) and (2) shall not apply to an invoice prepared in the manner specified in sub-rule (4).

Registered persons, other than those referred in sub-section (2), (3), (4), and (4A) of rule 54 of the said rules, whose aggregate turnover in a financial year exceeds **one hundred crore** rupees, as a class of registered persons who shall prepare an invoice, in terms of sub-rule (4) of rule 48 of the said rules in respect of goods and services or both to a registered person.

The notification shall come into force from the **1st October 2020**.

IV. APPLICABILITY OF E-INVOICING

The e-invoice shall apply to all registered persons whose Aggregate Turnover exceeds **Rs**

500 Cr. in respect of the supply of goods and services or both to a registered person.

Besides the above criteria, the following are the exceptions to the applicability of e-invoicing:

- a. Insurer or Banking company or financial transactions including a non-banking financial company.
- b. Goods transport agency.
- c. Passenger transportation service.
- d. Supplying services by way of admissions to an exhibition of cinematography films in multiplex screens.
- e. SEZ (special economic zone) Units.

Latest Updates

AUG 2019: GSTN has released a draft template of e-invoice for industry feedback by 20 August 2019 known as e-invoice schema.

20TH SEP 2019: The new GST return system for all taxpayers and all forms will be implemented from April 2020.

10TH OCT 2019: GST Council has approved the e-invoicing template and the mechanism.

13TH DEC 2019: CBIC notified the class of taxpayers who are required to generate an e-invoice on IRP. Those taxpayers who have an aggregate turnover of over Rs 500 crores (earlier planned for more than Rs 100 crore) must generate e-invoices from 1st April 2020.

14TH MAR 2020: The new GST return system will be implemented from October 2020. The present return filing system (GSTR-1, 2A & 3B) will continue until September 2020.

23RD MAR 2020: Exemption from e-Invoicing and QR code has been granted to sectors such as insurance, banking, financial institutions, NBFCs, GTA, passenger transportation service and movie tickets.

30TH JUL 2020: New format of e-invoice by CBIC adding 20 new fields and removing 13 fields. The invoice system shall apply to those taxpayers with an annual turnover exceeding Rs 500 crore instead of Rs 100 crore. Special Economic Zones (SEZ) units shall also be exempted from issuing e-invoices.

V. CURRENT SYSTEM IN PLACE FOR ISSUING INVOICES

Currently, the invoices are manually uploaded in the **GSTR-1 return** by the companies. Once the GSTR-1 is filed by the respective suppliers, the invoice information is reflected in

form GSTR-2A for the recipients for viewing only. On the other hand, the process of generation of e-bills by the transporters is that they must generate e-way bills by importing invoices in excel.

Under the e-invoice system, the process of generating and uploading invoice details will remain the same. It will be done by importing using the excel tool/JSON or via API integration, either directly or through a **GST Suvidha Provider** (GSP). The data will seamlessly flow to GSTR-1 preparation and for the e-way bill generation too. The e-invoicing system will be the key tool to enable this.

VI. BENEFITS OF E-INVOICE

1. **Bridges gap:** E-invoice bridges a major gap in data reconciliation under GST to reduce mismatch errors.
2. **Reducing data errors:** E-invoices created on one software can be read by another that will help reduce data errors.
3. **Real-time tracking:** E-invoice enables suppliers to prepare real-time tracking of invoices.
4. **Automation:** The relevant details of the invoices would be auto-populated in the various returns, especially for generating the part-A of e-way bills.
5. **Faster availability:** There is a faster availability of genuine input tax credit.
6. **Lesser possibility of audits:** There is a lesser possibility of audits/surveys by the tax authorities since the information they require is available at a transaction level.

E-Invoicing Curb Tax Evasion

It will help in curbing tax evasion in the following ways:

1. Tax authorities will have access to transactions as they take place in real-time since the e-invoice will have to be compulsorily generated through the GST portal.
2. There will be less scope for the manipulation of invoices.
3. It will reduce the chances of fake GST invoices and the only genuine input tax credit can be claimed as all invoices need to be generated through the GST portal.

VII. IRPS' ROLE UNDER GST E-INVOICING

The main task of the e-invoice API (Application programming interface) developer is to report B2B invoices to the GST system in an organized manner. Besides that, the real-time

tracking of transactions under e-invoice eliminates the last minute inconvenience due to pendency. The following points describe the role of IRP (**Invoice Registration Portals**) under GST e-invoicing:

1. **Registration through API mode:** Invoice Registration Portal (IRP) is the first invoice registration portal which allows the invoice registration on the GST system through API mode in addition to the other modes.
2. **Integration:** The major role of the IRP is that it helps to integrate its e-invoicing system to the taxpayer's business invoice system, and provide details for the same.
3. **Access to API:** The taxpayer with the help of IRP can get the credentials through which he can access APIs. The registration for API access will be completed once the OTP has been sent on the verified mobile number and email id is entered.
4. **Proper knowledge:** With the help of IRP, the code can be extracted and the master data would be provided to have proper knowledge of logic and concepts.
5. **Improve performance:** The developers can increase and improve their performance of APIs by understanding and testing the API methods with the help of IRP.

The role of the IRP is to accept e-Invoice document prepared by the taxpayer, verify that the document is valid as per the e-Invoice schema and perform additional checks on the contents of the e-Invoice. The IRP will then generate a unique **Invoice Reference Number**, digitally sign the e-Invoice, and generate an **e-Invoice QR Code** with high-level details of the invoice, and reply to the user with these details. Because the e-invoice portal digitally signs the invoice, the supplier can use the invoice as proof that they have reported the invoice (as per **CGST Rule 48(4)**, an invoice becomes valid only when it is registered with an IRP). The recipient can also verify that the invoice has been registered and be confident that they can receive **Input Tax Credit (ITC)**.

VIII. PROCESS OF GETTING AN E-INVOICE

There is a certain process which needs to be followed for getting an e-invoice. The following are the stages involved in raising an e-invoice:

Stage (1): The taxpayer has to ensure to use the ERP (**Enterprise resource planning**) system as per PEPPOL standard (**Pan-European Public Procurement Online**). He could coordinate with the software service provider to incorporate the standard set for e-invoicing, i.e. e-invoice schema and must have the mandatory parameters notified by the CBIC.

Stage (2): A taxpayer has got two options for IRN (**Invoice Reference Number**) generation:

- a. The IP address of the computer system can be whitelisted on the e-invoice portal for a direct API integration or integration via GST Suvidha Provider (GSP).
- b. Download the Bulk generation tool to bulk upload the invoices.

Stage (3): The taxpayer must raise a normal invoice on that software and give all the necessary details like, billing name and address, GSTN of the supplier, transaction value, Item rate, GST rate applicable, tax amount, etc.

Stage (4): Once either of the above options is chosen, he has to raise the invoice on the respective ERP software or billing software and upload the details of invoice especially mandatory fields onto the IRP using the JSON file or via an application service provider (app or through GSP) or through direct API. The IRP will act as the central registrar for e-invoicing and its authentication.

Stage (5): IRP will then validate the details of B2B invoice and checks for any duplication and then generates IRN. There are four parameters based on which IRN is generated: Seller GSTIN, Invoice number, and FY in YYYY-YY) and document type (INV/DN/CN).

Stage (6): IRP generates the invoice reference number (IRN), digitally signs the invoice and creates a QR code in Output JSON (**JavaScript Object Notation File**) for the supplier. The seller of the supply will get informed of the e-invoice generation through email.

Stage (7): IRP will send the authenticated payload to GST portal for GST returns. The GSTR-1 of the seller gets auto-filled for the relevant tax period. The tax liability can be determined.

IX. E-INVOICE SCHEMA

The **Central Board of Indirect Taxes and Customs** (CBIC) vide Notification No. 60/2020 & 61/2020 – Central Tax dated July 30, 2020, has amended the CGST Rules, 2017 by issuing the revised Format/Schema for E-invoice under GST in Form GST INV- 01 for the taxpayers whose aggregate turnover in an FY exceeds Five Hundred Crore Rupees, as a class of Registered person who shall prepare an invoice and other prescribed documents, in terms of sub-rule (4) of rule 48 of the CGST rules in respect of the supply of goods or services or both to a registered person.

The E-invoice schema is as follows:

- I. 12 Sections (mandatory + optional) with 6 annexure.

- II. Out of 12 sections – 5 are mandatory and 7 optional. Two annexures are mandatory.
- III. Out of 6 annexures- 4 are mandatory and 2 are optional.

The following fields must be compulsorily being declared in an e-invoice:

Sections:

Sec. (1): Basic details: includes 6 mandatory and 3 optional fields.

Sec. (2): Document period: includes 2 mandatory fields.

Sec. (3.1): Preceding Document reference: includes 3 mandatory and 1 optional field.

Sec. (3.2): Receipt/Contract reference: includes 8 optional fields.

Sec. (4): Supplier information: includes 6 mandatory and 4 optional fields.

Sec. (5): Recipient information: includes 6 mandatory and 6 optional fields.

Sec. (6): Payee information: includes 9 optional fields.

Sec. (7): Delivery information: includes 2 optional fields.

Sec. (8): Invoice item details: includes 1 mandatory field.

Sec. (9): Document total: includes 1 mandatory field.

Sec. (10): Extra information: includes 1 mandatory and 7 optional fields.

Sec. (11): Additional Supporting Documents: includes 3 optional fields.

Sec. (12): E-way bill details: includes 1 mandatory and 7 optional fields.

Annexures:

A1.0: Ship to Details: includes 5 mandatory and 3 optional fields.

A1.1: Dispatch from Details: 5 mandatory and 1 optional field.

A1.2: Item Details: 8 mandatory and 21 optional fields.

A1.3: Document total details: 2 mandatory 11 optional fields.

A1.4: Batch details: 1 mandatory and 2 optional fields.

A1.5: Attribute details of item: includes 2 optional fields

X. MYTHS AROUND E-INVOICING

The concept of E-invoice is straightforward and reasonable in all aspects. However, there are a certain amount of misconceptions or myths that revolve around the concept of E-invoice.

The following are the myths about the new adoption system:

1. **E-invoicing will force taxpayers to generate invoices from a common centralized portal:** There are various rumours or misconceptions that e-invoice will be generated from a centralized Government tax portal. Taxpayers will be required generating their invoices using accounting or billing software and keeping in view the needs of item master, buyer master, UQC, etc with the response from IRP. Therefore, the direct generation of e-invoice from GST portal or any other government portal is not planned.
2. **E-invoice is required for all transactions:** The e-invoice is only required for B2B transactions whose aggregate turnover is above 500 cr. in a financial year and export transactions. Hence, it isn't required for all the transactions.
3. **E-invoice cannot be generated without billing software or ERP:** The standard scheme (e-invoice) prescribed by the Government of India needs to be generated by commonly available billing software. If a taxpayer does not have access to the billing software and if he has a turnover below 1.5 crores, he can access the free billing software provided by the GST Network to generate e-invoice.
4. **E-invoicing is only meant for big companies:** This is the most common myth about e-invoice. Technology and automation solutions ensure that e-invoice is a cost-effective concept, thus, making it suitable for all kinds and sizes of business. Perhaps, the e-invoice in the strict sense does not mean only for big companies.
5. **There is no real need for implementation of e-invoicing:** The concept of e-invoice is an effective and cost-efficient solution for companies filing their GST returns and doing multiple manual entries in books of accounts. This system will also help to avoid duplication invoices and e-invoice can be read by any accounting software which ultimately leading to faster processing and lesser chances of invoices falling under the web of tax reconciliation.

XI. CONCLUSION

The introduction of the e-invoice system shall result in more streamlining of the GST process. The concept of e-invoice is an important notion as to companies or taxpayers whose aggregate income in a Financial Year exceeds 500 cr. This will reduce the dependence of the companies to make entries manually in books of accounts or making invoices manually, which will ultimately lead to a reduction of errors and help in mismatching errors. E-

invoicing will fundamentally change the way business's AR/AP department operate, offering an opportunity to move from archaic invoicing practices to all new electronic real-time exchange of invoicing data. The transformations will not only help the Government plug the GST gap but also businesses streamline the operation of their accounts, drive cost down and unlock other benefits. Therefore, this article discusses e-invoicing in-depth, providing its history, its implementation in different companies, and most importantly, evaluating what it means for India and Indian businesses.
