

## E-INVOICING: AN OUTPUT OF DIGITISATION OF GST

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### ABSTRACT

*India, a developing economy in the globe, need digitization in this age of technology. With this in mind, an effort has been made to digitise the invoicing system. Undoubtedly, the implementation of E-invoicing in the indirect taxation stream will prove to be a significant step towards the country's digitalization. Every business unit in India, whether it is in the product or service sectors, uses a particular structure for their sales invoices. The GST eco-system will never be homogeneous due to the usage of non-standard formats for invoice creation. According to the directive of the council, NIC has developed the E-invoice system in accordance with the most recent E-invoice (IRN) schema, per which the informed tax payers are required to produce the IRN for the purchases/sales. According to the Form GST-INV-01, the tax payer is required to upload all of the details from the manual or internal accounting preparation of the invoice. Both industries and IT professionals find the introduction and execution of E-invoicing to be difficult to understand and implement. The author of this essay has made an effort to comprehend the idea of e-invoicing, its effects on company functionaries, and to offer suggestions for how to make the system work more efficiently.*

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**Keywords:** GST, Digitization, E-invoicing, IRN (Invoice Reference Number).

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### Introduction

When India's economy transitions to a digital economy, the adoption of E-invoicing within the indirect taxes system will be a significant step towards the digitalization of the nation. Every profession and sector has its own style for a sales invoice. Because non-standard formats are used when creating invoices, the GST eco-system will never be able to operate together. The GST Council instructed the National Informatics Center (NIC) to create an E-invoice system with this in mind. According to the directive of the council, NIC has developed the E-invoice system in accordance with the most recent E-invoice (IRN) schema, per which the informed tax payers are required to produce the IRN for the purchases/sales. In other words, for B2B (Business to Business) and export transactions, the IRN must be generated for the documents of invoices, debit notes, and credit notes. According to Form GST-INV-01, the tax payer must upload all of the details for the invoice, whether they were created manually or through an internal accounting system. After the data has been properly validated, the IRP will send the tax payer the IRN (Invoice Reference Number) along with the signed invoice and QR code. The tax payer must print the QR code on the invoice that is given to the customer. It should be emphasised that the buyer or the carrier cannot produce the IRN; only the provider is capable of doing so. E-invoicing is a completely new experience for industries as well as IT specialists, from whom a range of reactions have been heard regarding this novel situation. They clearly saw it as a challenge, as otherwise it would not have been a success after such a short period of deployment. The author of this essay has made an effort to provide a walk-through of what electronic invoicing is, how it changes how business functionaries behave, and what may be considered recommended practises in this regard.

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### Meaning of E-invoicing



E-invoicing, often known as electronic invoicing, is the process by which a business sends bills and related information to its clients via electronic communications, most commonly the Internet. Telecommunications billing, e-Billing, and e-Payables are other names for e-invoicing. E-invoicing was initially misunderstood as a method of creating invoices on a site operated by the government. Later, CBIC made it clear through a number of FAQs that it is not a government-owned platform for generating E-invoices; rather, E-invoicing is simply a reporting of an invoice that has already been created. This is crucial because business regulations and the structure and content of tax bills raised vary greatly by industry. It is important to note at this point that only the specifics that must be contained in a tax invoice are prescribed by Section 31 of the CGST Act, 2017, when read in conjunction with Rule 46 of the CGST Rules, 2017. It does not mandate any particular format and does not compel taxpayers to provide information beyond that which is provided in the Rules.

#### Attributes of e-Invoicing

- For (Business to Business) B2B and export transactions, the IRN must be generated for the documents of invoices, debit notes, and credit notes.
- Every invoice is given an Invoice Reference Number (IRN), a 64-digit identifying number that is generated by the GSTN-managed Invoice Registration Portal (IRP).
- A B2B invoice generated by a specified person (to whom E-invoicing applies) without an IRN will not be considered valid under GST.
- Every invoice reported to IRP will also have a Quick Response code (QR code) that, when scanned with the NIC QR code scanning programme, will reveal information about that specific invoice, including the IRN.
- If there is no active e-way bill, it is possible to cancel the IRN. In other words, if an e-way bill is not issued or is generated but later cancelled, the user may cancel the IRN.
- Business-to-business (B2B) invoices are electronically validated by GST Network (GSTN) for use on the common GST site, and the tax payer must upload all of the invoice's information, whether they were created manually or with the aid of an internal ERP or accounting system.
- Regardless of the tax payer, financial year, or kind of document, this IRN acts as a unique number in the GST system.

The main goal of electronic invoicing is to stop the loss of tax income caused by fraudulent invoices and the reporting of manipulated transactions made to obtain input tax credits, followed by providing systemic transparency. However, the goal is not just to ensure transparency but to also benefit business actors through the facilitation of B2B (Business-to-Business) communication as well as from interoperability and standardisation, which in turn results in the facilitation of information flow to various returns and other compliance requirements.

**Mandate of E-invoicing**

The GST council gave the government the authority to announce the class of registered persons to which E-invoicing will apply in N/N 70/2019-CT dated 13.10.2019. This notification identified the registered person, whose aggregate turnover in a financial year exceeds 100 crore INR, as a class of registered person who shall prepare invoice as per subrule (4) of Rule 48 in respect of supply of goods or services or both. The council also stated in the same notice that e-invoicing will be required starting on April 1, 2020.

However, in N/N 13/2020 CT issued March 21, 2020, the Council postponed the date of application from April 1, 2020, to October 1, 2020. Later, in N/N 61/2020-CT dated 30th July 2020, the turnover cap was also raised from 100 crores to 500 crores, and it was ultimately prolonged to October 1, 2020. It's important to note that the total turnover must be determined at the PAN level for this reason rather than the GSTIN level. This ensures that businesses which functions across states and across industries under different GSTINs will be uniformly covered under this compliance irrespective of their individual annual turnover, if the aggregate annual turnover of the business as a whole, at the PAN level exceeds the prescribed limit.

**Organisations Exempted from Mandatory E-invoicing**

- Special Economic Zone (SEZ) Units (exemption is available only to SEZ units and not to SEZ developers).
- Insurer or a banking company or a financial institution, including a non-banking financial company. Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage.
- Suppliers of passenger transportation service.
- Suppliers of services by way of admission to the exhibition of cinematograph films in multiplex screens.

**Documentary Mandate**

Following are the documents on which E-invoicing shall be applied:

- Invoices issued by the Supplier
- Debit Notes issued by the Supplier
- Credit Notes issued by the Supplier
- Any other document as notified by the Act

On the basis of above documentary requirements as per the Act, it is said that E-invoicing is mandatory only in the case of taxable supplies and therefore it can be concluded that other documents like delivery challan, bill of supply etc. which do not represent the taxable supplies are not in the jurisdiction of the said Act. It will be a great safeguard for the government towards protecting revenue and capturing bogus (Input Tax Credit) ITC claims.

**Procedure of E-invoicing**

**Invoice is generated as per the existing procedure:** As stated above, there are no different process or changes in the process of generation of invoice, it can be done as per the existing business process.

**Details of the invoice are transmitted on to the IRP:** This is the first crucial step under the E-invoicing whereby businesses have to establish a connection between their local ERP and the GST IRP. At this step, we can examine in detail, what details must be transmitted and how it can be done.

- **What is to be Transmitted?**

The e-invoice schema, a standard format with required and optional fields to be transmitted to the IRP for getting IRN, has been informed by the CBIC. Depending on the needs of the company, optional fields may or may not be transmitted while mandatory fields must be sent to the IRP in order for a successful IRN to be returned. The overall e-invoice schema, which has more than 200 fields, can be broadly categorised as follows for easier comprehension:

- Basic Invoice details
- Supplier details
- Recipient details
- Item wise details
- Document level details
- Other references & additional details

- **How it must be transmitted?**
  - **Using offline tool:** By adopting an offline tool mode, taxpayer has to log onto the E-invoice portal and prepare and upload the details using the offline tool. Least automation and direct interaction between taxpayer and the IRP are the key feature of offline tool method.
  - **GSP (GST Service Provider) integration using API (Application Programming Interface):** It is an automated process in which the taxpayer's ERP is integrated with any of the GST Service Providers (GSPs) who are basically authorized organisations which provide services to taxpayers in various GST compliances through its web platform. While using this method, the taxpayer has to register their GSP on the IRP. Under this system data processed under two-step transmission from taxpayer to GSP and then from GSP to IRP (through the established API connectivity) and receives the valid IRN back to the ERP.
  - **Using API through direct integration:** This method also called direct mode method which involves integration with IRP similar to the second method. The taxpayer establishes integration directly between the ERP and the IRP.
  - **IRN and QR code are generated by IRP upon successful validation of the details:** Upon validation, either the IRP returns error(s) or successfully validates the data. If errors are received, the taxpayers have to analyse the reasons for the error(s) and rectify and reprocess such documents. After successful validation by the IRP, IRN and QR codes are generated.
  - **IRN and QR code are received by the taxpayer:** In this step, the taxpayer receives back the IRN and QR code from the IRP. Mode of receipt differs based on the transmission methodology.
  - **Using E-way Bill API credentials:** Before starting to work on e-invoice system, you need to test the API integration in sand-box environment (<https://einv-apisandbox.nic.in/>). After testing, tax payer has to submit the test summary report, as per the format provided under 'On Boarding' at sandbox portal, to the email support.einv.api@gov.in. After verification of the test summary report, tax payer will be provided the production API details. If you have already integrated with API under e-Waybill system, then you can use the same API credentials for e-Invoice system. No other steps need to be followed. Use the e-way bill purpose whitelisted IPs to access the e-invoice system.
  - **E-invoice data is automatically transmitted to GST common portal and E-way bill portal:** Though the cycle of transmission and validation of invoice details end with the preceding step, the process does not stop there. After the successful generation of IRN, the taxpayer's invoice data enters into the GST database and is shared with different GST networks such as the common portal, E-way bill portal etc. The purpose of E-invoicing is completed only in this step, which introduces interoperability of data. Details are auto-populated to GSTR-1 returns and E-way bill portal.

#### E-invoicing Fiction and Reality

S. No.	Fiction	Reality
1.	Invoices are to be issued IRP (Invoice Registration Portal).	Invoices are to be generated through ERP or billing software and uploaded on IRP.
2.	E-invoice is required for all transactions.	E-invoices are now mandatory for B2B and export transactions only.
3.	E-invoice cannot be generated without billing software or ERP.	Billing software are provided free of cost by GSTN to the registered taxpayers having turnover less than 1.5 crore INR
4.	Major changes will be required in ERP or billing software.	No major changes are required at taxpayers end.
5.	IRN generated will be considered as invoice number.	Invoice number will be as per ERP or software. IRN will be used as reference number for GSTN.
6.	Different invoice formats will be available for different businesses.	There will be a one standard format having certain mandatory fields including other optional fields which may be filled as per the nature of business.

**Best Practices for the E-invoicing System**

The best practices for smooth functioning of this wonderful mechanism of E-invoicing could be as under:

- Ensuring the existence of values in all mandatory fields to avoid errors at the time of IRN generation
- Securing access rights on ERP and IRP for generation and cancellation of documents
- Daily monitoring of IRNs generated on the previous day
- If any error has identify then enabling cancellation within 24 hours
- Printing of IRN on the invoices may not mandatory requirement even it may be optional and may followed by taxpayers as an additional compliance
- Reconciling the ERP report for outward supplies with the auto-populated details as per the GSP/ GST portal
- Closely interacting with GSPs and IT personnel to assess the impact and implement changes in the E-invoice mechanism.

**Conclusion**

After thoroughly examining the E-invoicing mechanism, it has been determined that it will provide a substantial upgrade over the current manual and non-standard approach. E-invoicing is a brave step in this direction since GST has ushered in a new era of tax compliance that is more digital. The system is currently in its fifth month of development, and although it may be difficult for the taxpayer to adapt the new mechanism, both the system and the user will eventually adopt the new E-Invoicing method. E-invoicing will be a game-changer in the present digitization scenario for both the government and the taxpayers. When implemented as intended by the government and voluntarily embraced by the taxpayers, it will be very beneficial for the taxpayers and stop leakage of tax collection exploiting loopholes by the taxpayers. In conclusion, it can be argued that e-invoicing is a clever technique that fully utilises the IT infrastructure of a nation and market like India, which is rapidly developing its digital economy. We must thank CBIC and NIC for their outstanding work on this project.

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