

Tax Alert | Delivering clarity

17 August 2020

Clarifications on GST e-invoicing to be implemented from 1 October 2020

Clarifications have been provided by GSTN and NIC on various important aspects of GST e-invoicing mechanism

GSTN and NIC have clarified on various important aspects of GST e-invoicing proposed to be introduced from 1 October 2020

Senior representatives from GSTN, NIC and CBIC provided clarifications on various important aspects of GST e-invoicing during a webinar conducted on 14 August 2020. In addition, NIC has also explained the process of e-invoicing in a note uploaded on the e-invoicing portal. Some of the important points covered in the webinar and the process note are as under:

Scope:

- All B2B transactions requiring a tax invoice will require to comply with e-invoicing requirements;
- SEZ units are excluded from the scope of e-invoicing; however, SEZ developers are required to comply with e-invoicing requirements if their aggregate turnover exceeds the threshold of INR 500 crore during the financial year 2019-20;
- E-invoicing is not required for self-invoicing in the case of reverse charge mechanism; however, e-invoicing is required for outward supplies liable to GST under reverse charge mechanism;
- E-invoicing is not required for input service distribution invoices;
- Exempted categories of taxpayers (i.e. goods and passenger transport, banking companies, NBFCs etc.) are required to comply with the e-invoicing requirements for supplies other than their core business supplies; and
- E-invoicing will also apply to B2G (business to Government) supplies; clarification will be issued on which GST registration number should be used for supplies to Government entities having GST registration only for TDS purposes.

Generation of e-invoices:

- E-invoicing schema notified in Form INV-01 contains the fields that are required to be reported to NIC for e-invoicing;
- All the fields in the schema in Form INV-01 are not required to be printed on the invoice issued to the customers; format and content on the invoice will continue to be governed by the existing provisions of the GST law;

- Inclusion of QR code on the invoice is mandatory and it can be placed anywhere on the invoice; it is not mandatory to include IRN acknowledgement number and acknowledgement date on the invoice;
- IRN is not required to be printed on invoice as it already forms part of the QR code;
- QR code should be in a size that ensures readability by a mobile QR code scanner; and
- NIC will release a mobile application on Android and iOS platforms for verification of validity of QR code; validity of the QR code can also be verified by uploading the e-invoicing JSON file on the e-invoicing portal.

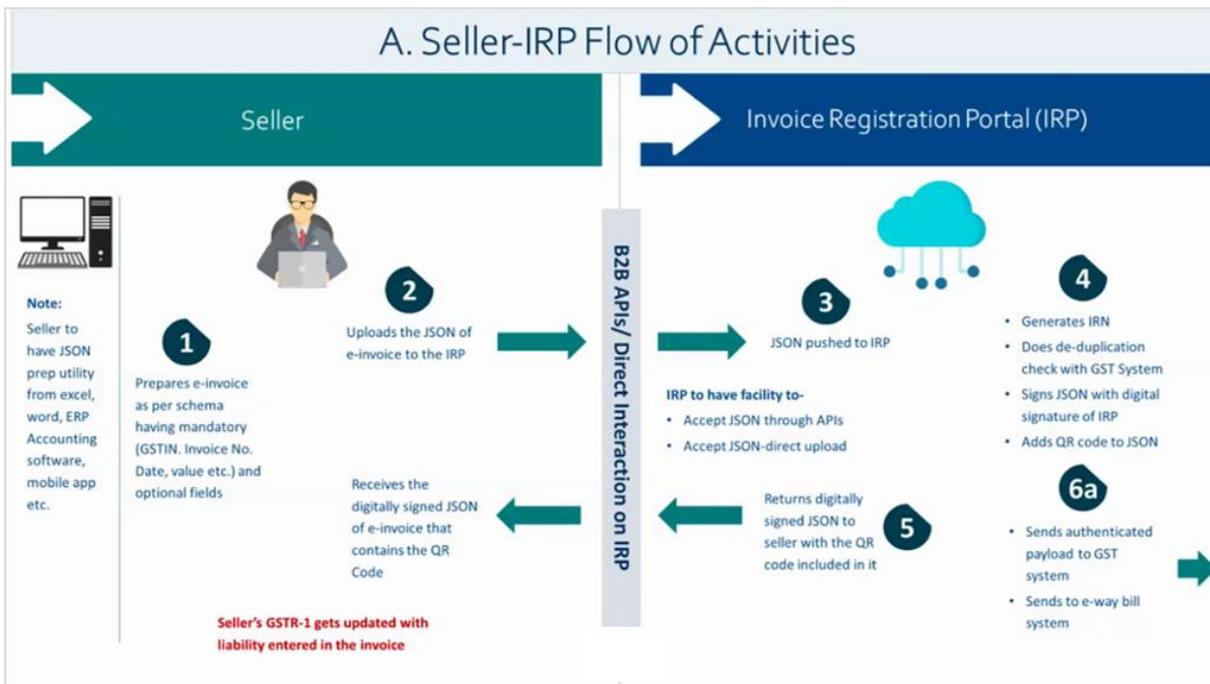
Cancellation and other aspects:

- An IRN can be cancelled within 24 hours of its generation. However, if a e-waybill is generated for an IRN, the taxpayer will first be required to cancel the e-waybill before cancellation of IRN;
- Once cancelled, an IRN cannot be generated again for same invoice; accordingly, in case of cancellation of IRN, it will be mandatory to cancel the invoice and reissue the same;
- Peer-to-peer sharing of JSON of e-invoices is not proposed to be carried out for initial few months; the taxpayers are expected to continue sending an electronic or physical copy of the invoices with QR code to the recipients;
- E-invoice data will be automatically populated in Form GSTR-1; taxpayers will be required to upload the balance transactions (such as B2C, advances etc.);
- Returns in Forms GSTR-1 and GSTR-2A will not contain IRNs; however, there will be a facility in these forms to distinctly identify the transactions carried out through e-invoicing mechanism; and
- E-invoicing portal will facilitate downloading of IRNs for past 2 days.

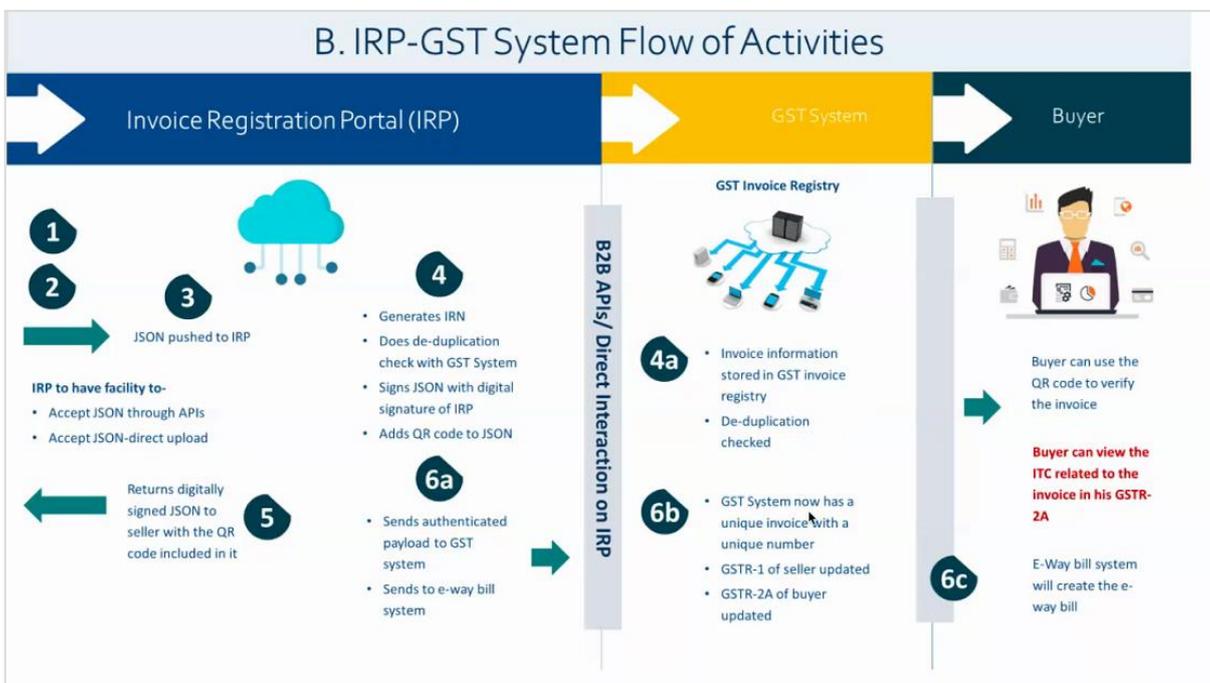
Proposed mechanism:

The following diagrams, obtained from the presentation made during the webinar, describe the proposed mechanism and flow of data for e-invoicing.

The first diagram displays a step-by-step flow of data from the supplier to the IRP for generation of IRN.



The second diagram depicts the step-by-step flow of data from the IRP to the GSTN for automatic population of GST returns and a subsequent flow of the data from GSTN to the recipient.



It has been clarified that the eligible taxpayers can generate IRN using the following alternate mechanisms:

- Offline utility
- Using APIs for direct connectivity
- Using APIs through registered GST Suidha Providers

- d. Using API integration with sister concern using the same public IP
- e. Using e-waybill APIs for taxpayers currently using these APIs

Our comments:

The interactions by the GSTN, NIC and CBIC representatives indicate that the government is fully geared up for implementation of GST e-invoicing from 1 October 2020. Undertaking of the webcast, as a part of their stakeholder outreach program, is a welcome move. We expect that the points clarified during the webcast would be clarified in a circular and / or FAQs soon. Additionally, there are various issues where a greater clarity is required and hence, industry hopes for a more detailed issuance of guidelines along with FAQs on a priority basis.

Considering that introduction of e-invoicing is only six weeks away, it is imperative for eligible taxpayers to expedite the process of implementation to have sufficient time for testing prior to 1 October 2020.

We reiterate that the current alert above is a summary of the key points taken from the webcast and the process note and is for guidance purpose. Details in expected FAQs and clarification(s) should be awaited.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India LLP (DTTI LLP) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This material contains information sourced from third party sites (external sites).

DTTI LLP is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such external sites. None of DTTI LLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. This information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

©2020 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited