

E-invoicing and new GST returns

The story so far and what's next

14 January 2020

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Current environment – GST Compliances

Disintegrated, cumbersome, and time consuming



Key Components of GST Compliance Process

- **GSTR1**, detailed and transaction level reporting of outward transactions in the subsequent month
- **GSTR-3B**, a monthly self declaration of **Tax Liability**. Data cannot be revised
- **ITC reconciliation**, periodic process of matching the purchase data of registered taxpayer with the details uploaded by supplier E-way bill is yet another standalone process



Key takeaways

- Allows adequate time for data collation, preparation and changes
- Difficult to validate what is reported and what is actual
- Constant changes in supplier data is leading to mismatches and gaps in credit

Need for integrated compliance process that goes to the source to - curb tax evasion, bring ease in compliance process, and ensure consistency across the transaction life cycle, hence E-Invoicing and New Returns

Changes proposed – GST Compliances

Integrated and easy but with limited room for changes



Key components

- **E – Invoice**, documents to be reported as generated and authenticated by an independent agency to be considered valid for business transaction to be carried out
- **This authenticated data** will be fed to **GSTN** for **GST returns** (ANX 1 and ANX 2) and **E-way bill** by **the IRP**
- **Transactions** can be **amended in ANX 1/1A**
- **Only matched transactions** for a month **eligible** for **credit computation** and **RET 1** is **auto-populated** basis this **data**
- Additional data to be added in ANX 1 and RET1



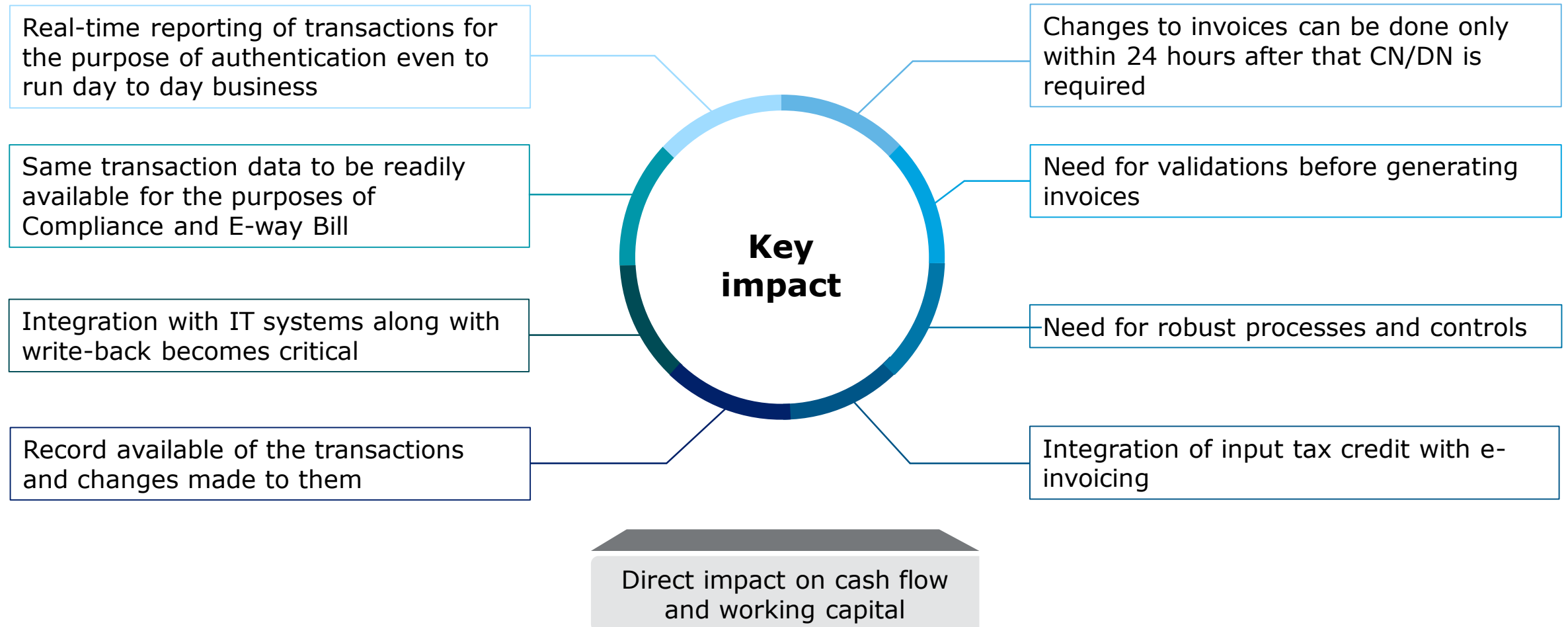
Key takeaways

- Inadequate time available for data collation, preparation and changes
- Same data is used across the lifecycle and changes are known at any time
- Need for a stronger control and accuracy at the time of transaction creation
- Process only changes for GSTR 1, 3B and ITC Reconciliation; and partly for E-way Bill
- Other applicable returns (GSTR 6, 7, 8, 9, 9C and ITC 04) *status quo* maintained

If source data is accurate and can be captured correctly, the compliance process can be predominantly automated

Impact on existing processes, systems, and business

Significant changes on key operational and financial aspects



Proposed changes: E-invoicing and New Returns

What is e-invoicing?

- The proposed system envisages **upload of each document on a central portal** i.e. Invoice Registration Portal (IRP) or **Registrar for authentication** to render the document as a **valid document**
- Documents covered under e-Invoicing include – **Invoice (including exports invoice and stock transfers), Credit Note, Debit Note, ISD invoice, ISD Credit Note**
- The documents have to be transferred to IRP in **JSON** format
- The document can contain a **Hash**
- IRP will authenticate by means of **allocating / validating** the hash, allocating a **Unique Invoice Reference Number (IRN), generate a QR code** and **digitally sign** e-Invoice for each valid document
- This data will be returned from IRP in **JSON** format
- This data can be **changed within 24 hours**; after that, a credit or debit note needs to be generated
- This **data** will be **held with IRP** for **24 hours only**
- This data will also be transferred to GSTN for **ANX-1 and ANX-2**
- This data will be transferred to **e-waybill** system for the e-waybill generation process

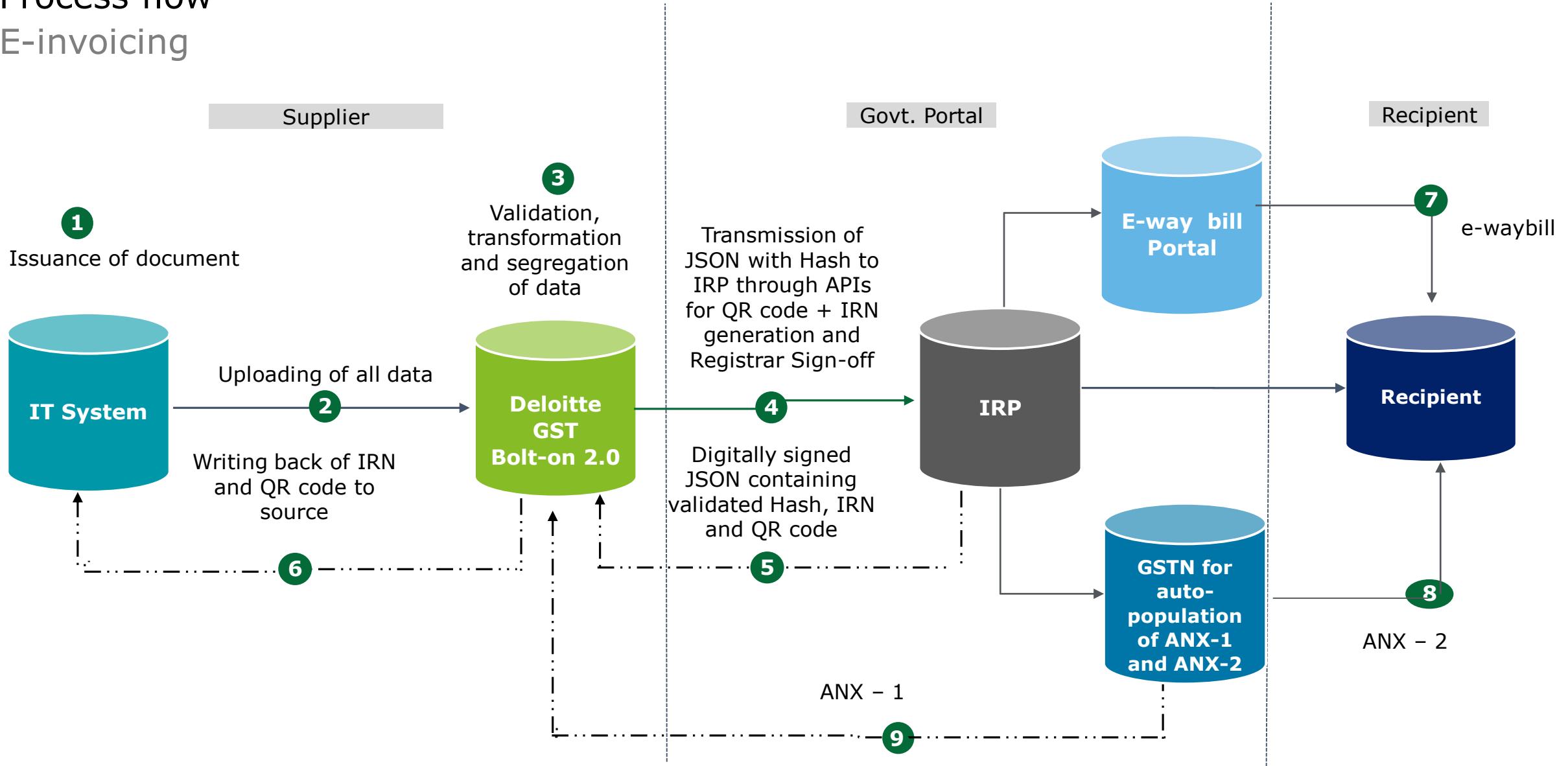
Timelines

| Turnover | From | Basis |
|--------------------------------|---------------|-----------|
| INR 5 Bn (USD 70 Mn) or more | January 2020 | Voluntary |
| INR 1 Bn (USD 14 Mn) or more | February 2020 | Voluntary |
| INR 1 Bn (USD 14 Mn) or more | April 2020 | Mandatory |
| Less than INR 1 Bn (USD 14 Mn) | April 2020 | Voluntary |

E-Invoice APIs have been released in the sandbox as on 7 January 2020 and assessees desirous of testing can do so through Deloitte

Process flow

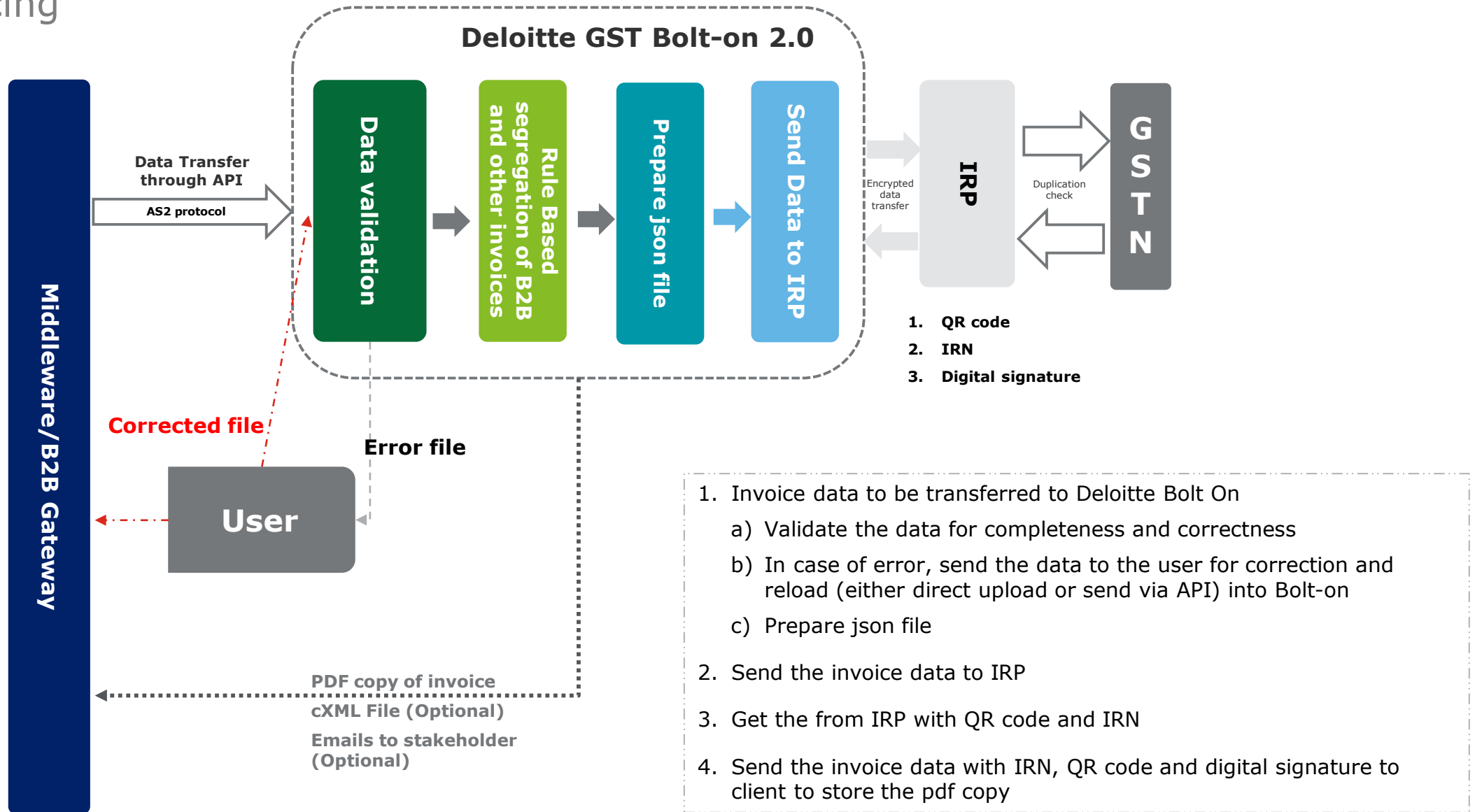
E-invoicing



Step 9: The New Returns along with additional Data flow is between Bolt-on 2.0 and GSTN Portal

Deloitte PoV and solution

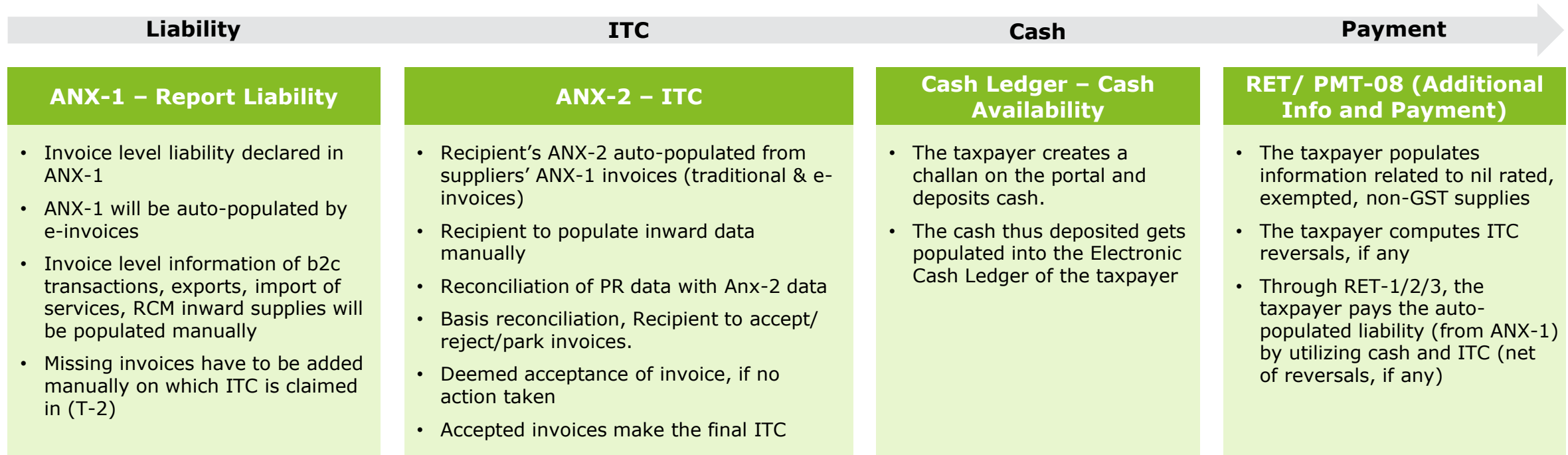
E-invoicing



Proposed changes: E-invoicing and New Returns

Significant changes on key operational and financial aspects

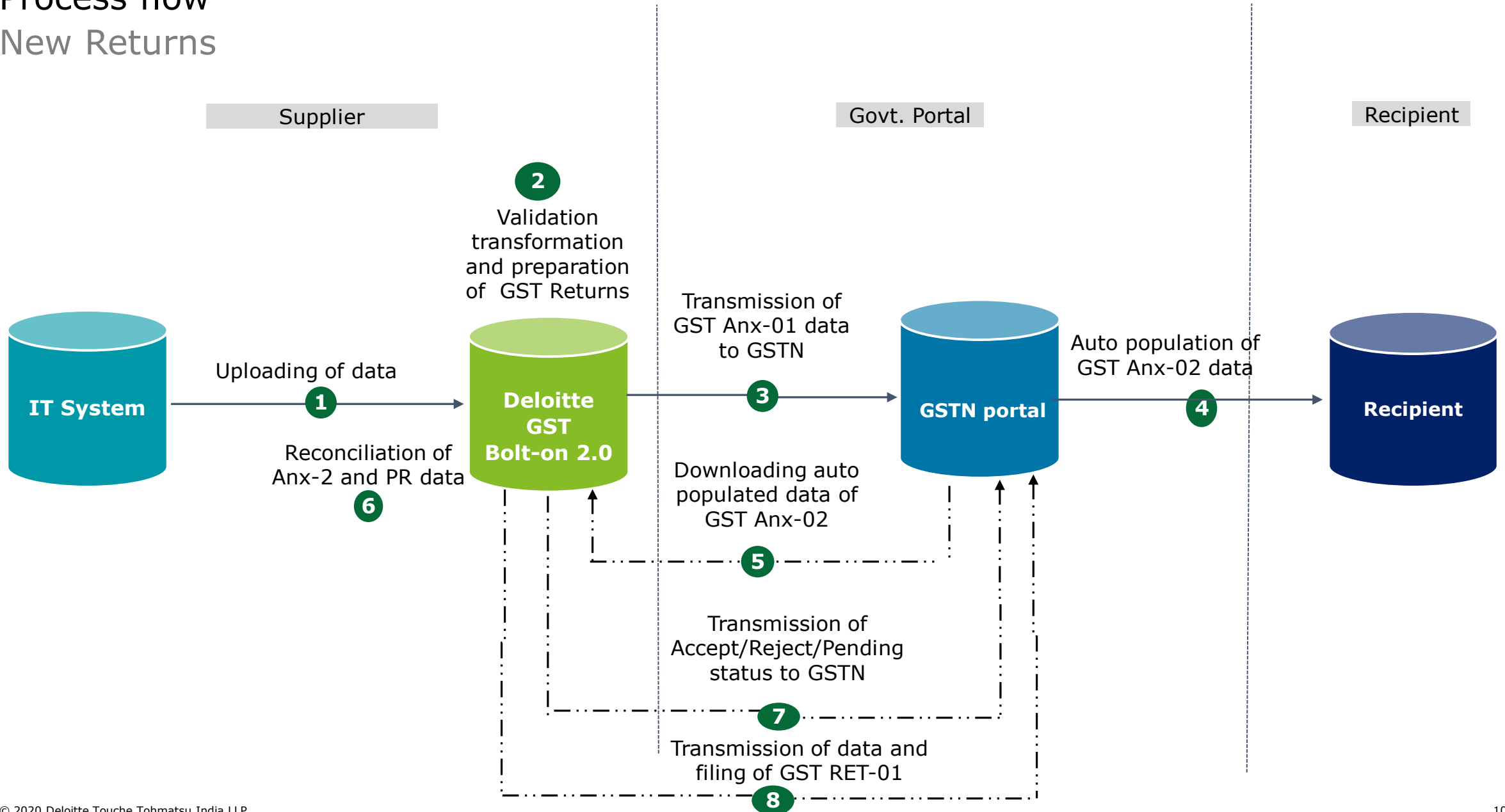
| Form Type | Due dates |
|-------------|--------------------------------------|
| Anx-1 | 10 th of subsequent month |
| Anx-2 | 20 th of subsequent Month |
| Cash Ledger | 20 th of subsequent Month |
| RET/ PMT-08 | 20 th of subsequent Month |



New returns’ APIs were released for Beta testing on 15 November 2019 and assessee desirous of testing can do so through Deloitte

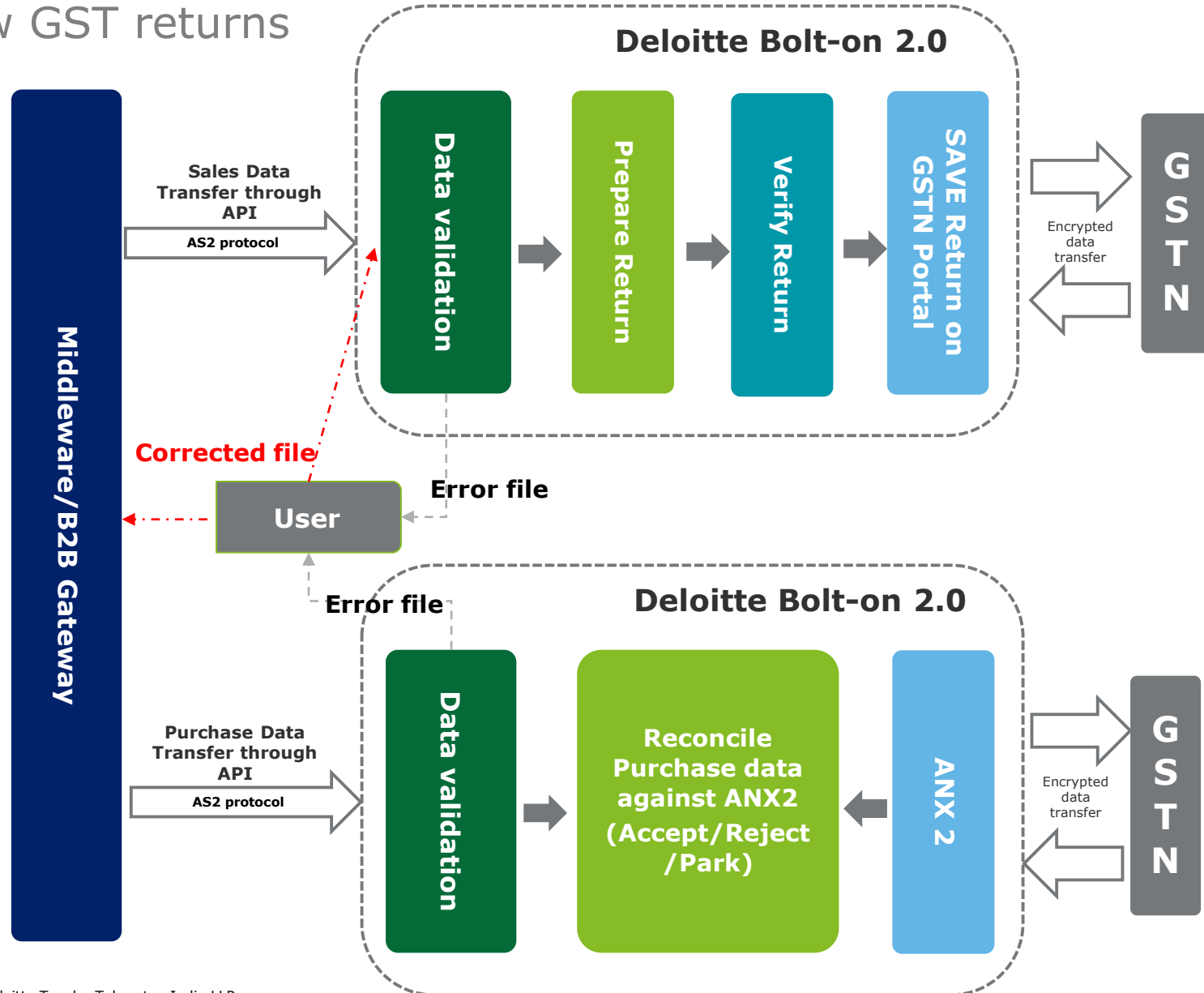
Process flow

New Returns



Deloitte PoV and solution

New GST returns

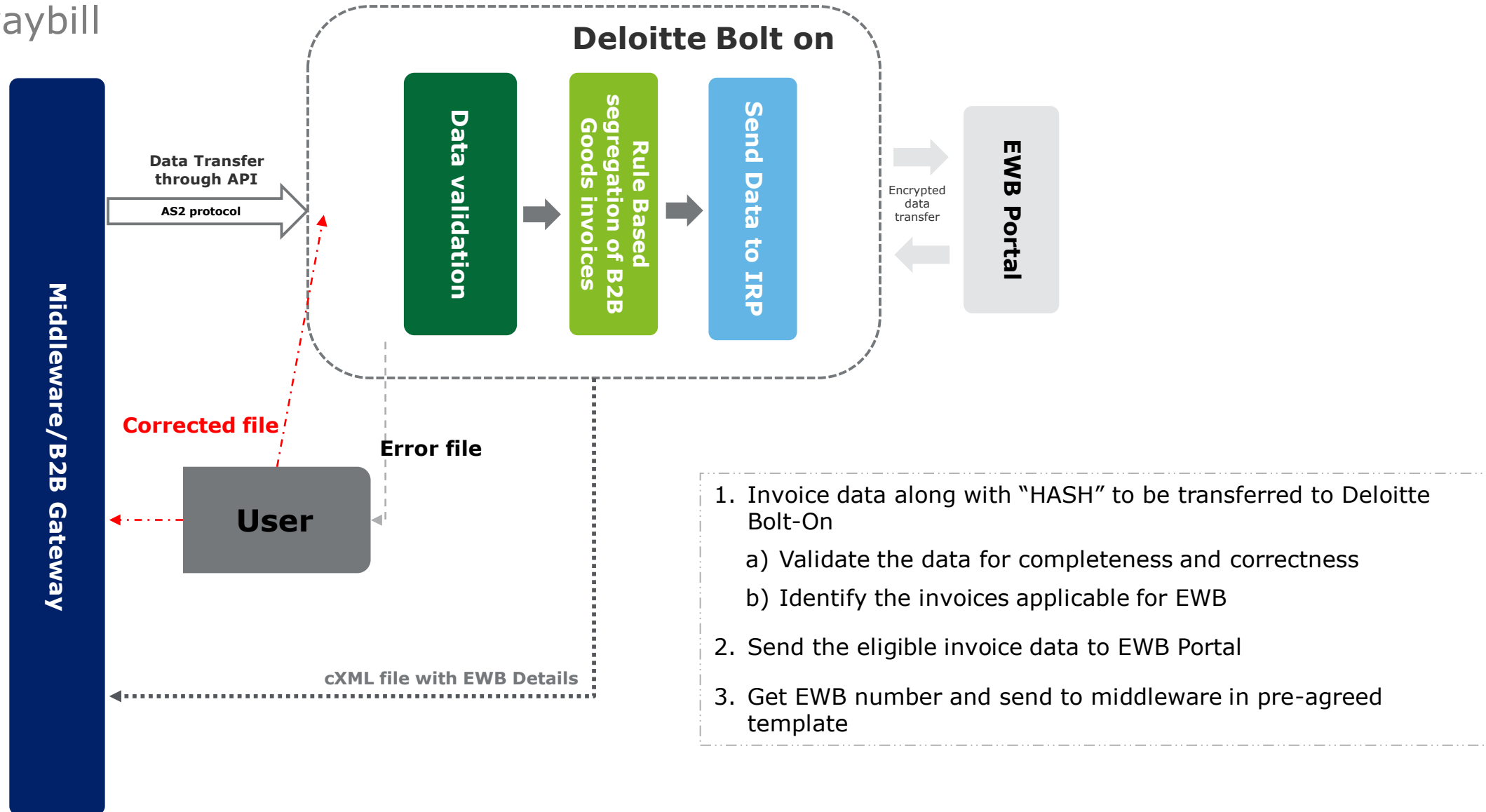


1. Invoice data to be transferred to Deloitte Bolt-On
 - a) Validate the data for completeness and correctness
 - b) In case of error, send the data to the user for correction and reload (either direct upload or send via API) into Bolton
2. Prepare Return
3. Prepare json
4. Save on GSTN Portal

1. Invoice data to be transferred to Deloitte Bolt-On
 - a) Validate the data for completeness and correctness
 - b) In case of error, send the data to the user for correction and reload (either direct upload or send via API) into Bolton
2. GET ANX 2 from GSTN Portal
3. Reconcile and prepare report
4. User to take action
5. Save the actioned data to GSTN portal

Deloitte PoV and solution

E-waybill



Way forward

Points for consideration

Considerations from ERP Perspective

- **Identifying the additional Mandatory fields** to be captured in Invoice/Sales/Purchase reports (if any)
- **Changes required in formats of specific fields** w.r.t. type of characters/length. E.g. upto 16 characters allowed for PO Numbers.
- **Flagging of type of documents/ transactions to be exported to IRP** for identifying the transactions on which requirement of e-invoicing gets triggered
- **Configuration/additional fields to add IRN and QR** code on invoice
- **Billing System Provider/ERP providers readiness to configure/integrate to requirements of e-invoices**
- **Impact on billing system and ERP integration**

Considerations from Business Perspective

- **Identifying all possible transactions attracting e-invoicing** (like exports/imports/cross charges/Asset transfers etc.)
- **Requirements of updating masters of Vendors and Customers** to cater to additional information required for invoices (like Payee details/Bank Details/Pincodes etc.)
- **Flagging Vendors into small and large categories** to identify data collation requirements (Auto populated for large vendors covered by e-invoice and manual for small)
- **Changes to GST returns preparation process**, B2B supplies shall be auto populated in the GST returns, B2C supplies shall be required to be manually uploaded
- Whether to **adopt e-invoicing for both B2B and B2C?**

E-invoicing

Factors determining the type of solution

Internal

- Current invoicing pattern and quantum of invoicing
- Manpower and resource availability
- Need for data retention beyond 24 hours
- Extent to which ERP customization for enabling E-invoicing can be accommodated

External

- Frequent changes in technical specifications and legal amendments
- Security issues in transmission of data
- Need for backup server
- Availability and speed of internet connectivity

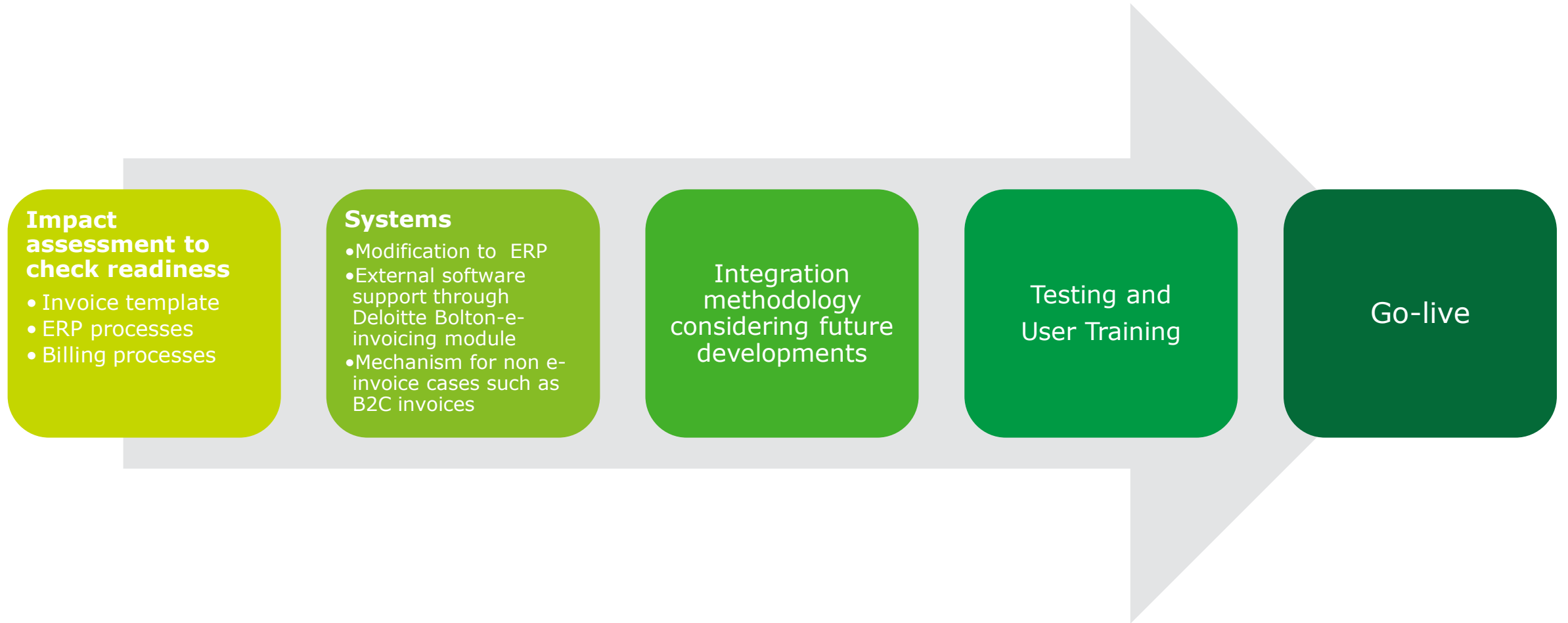
Deloitte Solution: Bolt-on 2.0

Comprehensive, end to end, yet modular and on-demand

- **Solution can be provided as following standalone modules :**
 1. E-Invoice Only
 2. E-Invoice + New Returns (+ other applicable returns as well)
 3. E-Invoice + New Returns + Eway bill
- **Offline/ manual upload option**
 1. Simplest to execute requiring little or no IT intervention
 2. Offers flexibility to Business Users
- **Bespoke integration and write-back options also available, including**
 1. Online (Tightly Coupled)
 2. Batch Mode (Loosely Coupled) at any predefined frequency or event in push and pull manner
- **Options for sourcing data**
 1. All data as being generated by the Source systems without any segregation
 2. Only e-invoice specific data
 3. Only e-invoice specific data by GSTN Id
- **Data Retention Options :**
 1. 24 hours only
 2. Longer term

E-invoicing

How can Deloitte help



E-invoice generation and reconciliation through Deloitte Proprietary technology platform (Bolt-on 2.0) with GST return compliance through the same Bolton platform for seamless experience

Stay updated

Navigate change with confidence

Register for the upcoming India TaxHour webcast

The quarterly tax updates webcast series 'India TaxHour', has been scheduled for **22 January, at 11:30 a.m.**

The session will throw light on key tax updates in the quarter of October – December 2019.



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