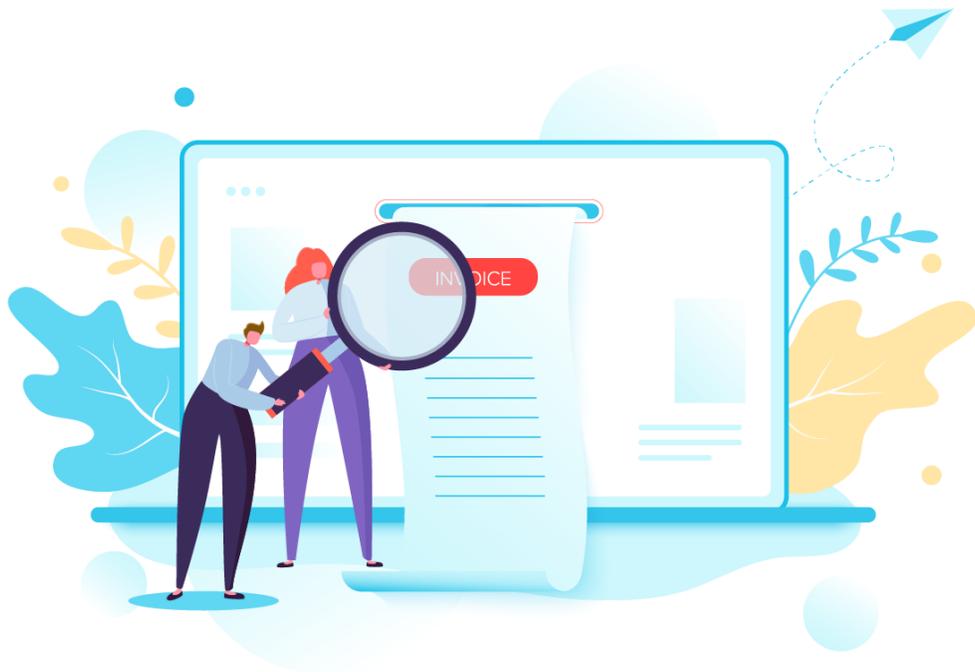




A 360-degree View on GSTN's e-Invoicing System



PREREAD

The GST Council decided to implement an e-invoicing system for selected taxpayers starting from April 2020. This decision was made at the 35th GST Council Meeting that was held on 21 June 2019 at New Delhi. E-invoicing is believed to automate and streamline GST compliance at the source of invoice generation, itself. It will help counter the menace of fake invoicing and limit the flow of fraudulent tax credit in the GST system.

As an added benefit, it can help taxpayers prepare ANX-1, ANX-2, and an e-way bill and allow faster ITC matching. The GSTN has set 'The machine readability and uniform interpretation' as its key objective for implementing the e-invoicing system.

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What is an e-invoice?

'e-Invoicing' is an electronic invoicing system where B2B invoice and credit or debit notes are submitted electronically to the GSTN.

It is done for validation and further use on the common GST and e-way bill portal. Under the electronic invoicing system, an identification number will be issued for every invoice by an Invoice Registration Portal (IRP) that is managed by the GST Network (GSTN).

Every invoice-related information will be transferred from this portal to both, the GST and the e-way bill portal in real-time. Therefore, it will mostly eliminate the need for manual data entry while preparing ANX-1 as well as generation of part-A of the e-way bills, as the information is passed directly by the IRP to the GST portal.

A myth surrounding e-invoicing

An e-invoice system advocated by the GST Council in India does not imply that an invoice has to be generated on the GST portal. That is a myth. However, it involves the reporting and validation of the already-generated invoice on specific portals, known as IRP, permitted by the GSTN. Hence, an invoice can be created on any existing accounting software which is currently in use by a business. Once created, it has to be uploaded on to an IRP for approval and validation. It'll be validated through the generation of an Invoice Reference Number (IRN) and a QR code with an option of a digital signature.

Applicability of e-invoices in business entities and transactions

The implementation of e-invoicing has begun on a voluntary basis from the 7th of January, 2020, for businesses with an aggregate turnover of over Rs 500 crores. For those taxpayers, the GSTN has released APIs to allow ERP integration with the IRPs. Entities with more than Rs 100 crore turnover will have access from the 1st of February, 2020. Consequently, it will become mandatory for them from the 1st of April, 2020.

To compute aggregate turnover, one must consider all the GSTINs registered under a particular PAN across India. The transactions include Business-to-Business (B2B), Business-to-Government (B2G), exports, supplies under reverse charge basis and supplies through e-commerce operator. It also includes the Input Service Distributor (ISD).

The concept of e-invoicing applies to only B2B invoices. Apart from the invoices, documents such as credit notes and debit notes are also covered under the system.

Accordingly, the delivery challans, bill of supply, imports and job work are not included within the system. Further, foreign service providers may access the IRP from within India only.

E-invoicing is not applicable to Business-to-Consumers (B2C) supplies. But in the future, the inclusion of the B2C transactions under e-invoicing cannot be completely ruled out.

CBIC has also notified separate compliance for B2C transactions carried out by taxpayers with an aggregate turnover of over Rs 500 crore. From the 1st of April, 2020, all the B2C invoices raised by such taxpayers should have a QR code mandatorily for enabling easy access to digital payments for customers.

How to generate an e-invoice?

Any invoice raised by the taxpayers must be uploaded, validated and approved by an Invoice Registration Portal. A unique IRN is issued through the 'hash' generation by the IRP, making sure that a duplicate e-invoice is not found. The same is stored for up to 24 hours for any reference. The GSTN has promised that the entire process of generating e-invoice will take only milliseconds.

No physical signatures are required as the invoice consists of a QR code that comes assigned with the digital signature. Email communications of the signed e-invoices are sent out to the sellers. During the first phase of e-invoicing that begins from the 1st of April, 2020, email communication will not be sent out to the buyers. However, this feature will be made available in the future phases.

CBIC has notified a series of 10 different portals as IRP authorised e-invoice generation, denoted as www.einvoice1.gst.gov.in (replaced each time with the numbers 1-10 in the URL). The process of authentication of an invoice as an e-invoice broadly involves the following four steps:

Step 1 – Generation of invoice for upload:

The process begins with the seller raising an invoice in his billing or accounting software. Accordingly, the taxpayer will continue to generate invoices in the normal course of business. However, the invoices that are uploaded online must adhere to the reporting criteria. An e-invoice schema along with the mandatory parameters or fields is finalised and notified in the GST law.

The mandatory fields of an invoice for the supply of goods/services are listed below:

- Invoice type
- Code for invoice type
- Invoice number
- Invoice date
- Details of a supplier like their name, GSTIN and address (including place, PIN code, and state)
- Payee's name, account number, payment mode and IFSC code
- Details of the buyer such as name, GSTIN, state code, address, place and the PIN code
- Dispatch from details
- Invoice item being dispatched
- Total tax amount including the amount paid and payment due
- Tax scheme (whether GST, Excise Custom, or VAT)
- 'Shipping to' details like name, GSTIN, address, PIN code, state, supply type and the transaction mode (whether regular, 'bill to' or 'ship to')
- Details of goods like Sl. no., quantity, rate, assessable value, GST rate, the amount of CGST/SGST/IGST, total invoice value, and batch number/name

More fields have been laid down which are not mandatory in all cases but depend upon the industry in which the taxpayer operates. Fields such as transporter ID and vehicle details are optional fields. The seller has to ensure that his accounting/billing software is capable of generating a JSON as per the schema specified of the final invoice. The seller can create a JSON following the e-invoice schema and mandatory parameters by using the following modes:

1. Accounting and billing software system that offers this service
2. Utility to interact with either accounting/billing system, ERP, excel/word document or a mobile app
3. An offline tool to generate the JSON file by keying-in invoice data

Modes of registering invoice with IRP

Multiple modes have been proposed for registering the invoice on the IRP. These are listed down as follows:

1. **Web-based:** Invoice data entered on the IRP website for generation/validation of IRN and QR Code.
2. **API based:** Big taxpayers and accounting software providers can interact with the Invoice Registration Portal through their own software using APIs.
3. **SMS based:** Invoice details can be entered in a specific format and sent to the Invoice Registration Portal via SMS for processing.

4. **Mobile-based app:** IRP provides a mobile app, which carries out some functions of the IRP as discussed above.
5. **Offline tool based:** Offline utility can be used to import invoice details and generate the JSON, which can be uploaded to IRP.
6. **GSP based:** Taxpayers can also utilise the services of the GST Suvidha Provider (GSP)/ Application Service Provider (ASP) such as ClearTax to help them carry out their e-invoice related compliances.

Step 2 – Upload the JSON file:

The following modes may be used to upload the JSON of the final invoice:

1. Directly on the IRP
2. Through GST Suvidha Provider (GSP)
3. Third-party provided apps (including through API)

The GSTN stated that there is no time limit for generating e-invoice. The taxpayer can generate the e-invoice for April anytime during the entire financial year (before the end of September of the year following the relevant financial year for up to 18 months). Thus, it is possible to generate e-invoices for the invoices of the previous months.

The number of line items in every invoice allowed is increased from 250 to 10,000 per e-invoice.

Step 3 – Getting hash generated and validated for e-invoice:

Hash will be generated by the IRP with respect to all the invoices, uploaded by the taxpayer in the form of the JSON file. The hash generated by the IRP would become the IRN. The SHA256 algorithm would be used for generating the hash of an IRN. If the IRN gets regenerated for the same invoice, IRP will return the same hash.

The four parameters which will be used to create IRN (hash) are as follows:

- i. Supplier GSTIN
- ii. Supplier's invoice number
- iii. Financial year (YYYY-YY)
- iv. Document type (INV/CN/DN)

Format of IRN and hash can be illustrated as follows:

IRN is (<Supplier GSTIN><Fin. Year><DocType> <Doc Number>)

IRN “01AAAAB1234C1Z02019-20INVAB1234” will have hash as follows
35054cc24d97033afc24f49ec4444dbab81f542c555f9d30359dc75794e06bbe

All the zeros and special characters, which are prefixed for an e-invoice will be trimmed (e.g., if an invoice number is "0001234-1" or "~1234-1" or "000~1234-1", it will be trimmed to 1234-1 in all three cases).

The IRP will check for the validity of the GSTIN of both buyers and sellers. In case of mismatch, an error log is made available for correction. Validation of the hash/IRN against the Central Registry of the GST System is done to ensure that the IRN is unique. Once validated, the hash/IRN is stored in the Central Registry. IRP will also generate a QR Code and allow the invoice to be digitally signed.

The GSTN has adopted the PEPPOL (Pan European Public Procurement Online) standard, which works on Universal Business Language (UBL) version of electronic XML. PEPPOL is currently the highest used standard across the globe. The system uses the standardised format to cater to diversified business applications and trading communities for exchanging information along the supply chains. It enables a single point of data entry into electronic commerce for businesses. Thereafter, the data flows across different portals with the help of an IRP.

Uses and application of validated e-invoice

The signed e-invoice data will be sent to the GST system where ANX-1 of the supplier will be updated based on the details entered in the invoice. Thus, the invoices can be viewed on the respective ANX-1 after a successful upload.

The auto-population of data from IRP is based on the date of upload of the invoice on IRP but not based on the invoice date. For example, an invoice dated 30 April uploaded on IRP on 01 May will reflect in ANX-1 of the return period of May.

Wherever applicable, the details of invoices will be used to update 'Part A' of the e-Way Bill. As per the latest schema released by the GSTN, Part-B details have been added as optional fields for reporting on the IRP. The IRP will send invoice data to the e-way bill portal, but the taxpayer has to generate the e-way bill manually. The invoice data will be available on the e-way bill portal until the generation of the e-way bill.

Amendment and cancellation on the IRP

The IRPs will process each invoice one at a time. However, to ensure that this process is not slowed down due to the burden on the servers, the IRP will have a very lean and focused system. To achieve this, one of the measures that will be used is that the IRP will not be required to store e-invoices for more than 24 hours.

Therefore, an e-invoice can be cancelled on the IRP only within 24 hours. Further, the whole invoice would have to be cancelled since partial cancellation is not possible. Amendments to an e-invoice cannot be carried out on the IRP.

Amendment and cancellation on the GST portal

While cancellation on the IRP is allowed only within 24 hours, amendment and cancellation of e-invoices are allowed on the GST portal as per the provisions of the law. This implies that the amendments and cancellations would continue to be made as per the current system, i.e., reporting in Form GSTR-1.

Is e-invoicing set in law?

The frequent changes in GST leave taxpayers unsure whether these have been notified and made effective. The GST invoicing rules have been amended to include e-invoicing aspects. The effective date and the phased implementation is notified. The format of the invoice to be issued is also notified in Form INV-01. A taxpayer covered under the e-invoicing system must ensure to have the IRN and QR code printed on the invoice. Moreover, the portals of ten IRPs are notified. Currently, the GSTN has released APIs for the integration of ERP systems with IRP. These are available for taxpayers with over Rs 500 crore of annual aggregate turnover.

How do B2B invoices differ from B2C?

Ideally, an e-invoice is issued for only a B2B transaction and not for a B2C transaction. That means the generation of IRN is not needed for B2C sales. The GSTN intends to allow B2B invoices only in the initial phase of e-invoicing. After testing the effectiveness of the capacity and load handling by the IRP, GSTN plans to capture B2C invoices also in its base.

Another communication that has led to confusion among businesses making B2C sales is the need for QR code on invoices and if it has anything to do with the e-invoicing. The GST law makes it mandatory for sellers to have a QR code on their invoice if specific conditions are fulfilled. It applies to sellers with an annual turnover of more than Rs 500 crore, and if they sell to unregistered persons, starting from 1 April 2020. It is to be noted that this requirement has got nothing to do with the IRP or e-invoice. It was introduced to allow easy payment methods for consumers using QR code, making it available on every invoice.

Quick Comparison: Present invoicing and e-invoicing system

Let's look into how the e-invoicing system compares with the present system of invoicing:

Sl. No.	Point of comparison	Under the present system of invoicing	Under the e-invoicing system
1.	Physical invoice	A physical invoice will continue to be generated as per the rules prescribed under the Act. There is no change in how an organisation issues physical invoices	
2.	Reporting of invoices on the GST portal	A manual typing-in of invoice details, JSON upload, accounting/billing software that uses the API to upload invoices.	Same as the present system, but invoices have to follow the prescribed schema and contain mandatory parameters before uploading on to IRP.
3.	Invoice Reference Number	There was only the concept of the invoice number and not an invoice reference number. No prescribed format/conditions in this regard were present except that the invoice number had to be assigned sequentially.	The Invoice Reference Number generated through the 'hash' algorithm must be used under the e-invoicing system. The objective is to allow easy comparison of e-invoices through unique IRN validated on the Central Registry and stored for future reference.
4.	Dispatch of e-invoice	The GST portal did not contain any facility for validation and downloading of invoices.	The validated e-invoices are e-mailed to the supplier on the e-mail ID mentioned in the invoice.
5.	Digital Signature	Only the supplier's digital signature was required on the invoice and there was no facility for digital signing of uploaded invoices by the GSTN/GST portal.	The validated invoices will be digitally signed by the IRP.

6.	QR code	The invoices could not be verified on the basis of a QR code.	The validated invoices will also contain QR code generated by the IRP. This will enable verification of invoices even when the internet facility is not available. It is mandatory for B2C transactions to have a QR code where the aggregate turnover exceeds Rs 500 crore.
7.	Possibility of mistakes	A higher possibility of mistakes since higher manpower involvement.	A much lower possibility of mistakes once the JSON is uploaded and verified, ANX-1 of the buyer and ANX-2 of the seller is updated. Further, the e-Way Bill details under Part-A are also filled up wherever applicable.
8.	Amendment of invoice	The amendment/cancellation facility available on the GST portal can be made as per the law.	The e-invoice is only available for 24 hours with the IRP during which the invoice can be fully cancelled. After that, the invoice can be amended as per the GST laws on the GST portal.
9.	Viewing the invoice	The invoice details entered could be viewed on the GST portal.	The necessary invoice details can be made available on an app that can scan the QR code.
10.	Verification of invoice	It is not easy to verify the genuineness of an invoice during an inspection.	It is easy to verify genuineness by scanning the QR code and also checking of the IRN.
11.	Possibility of search	Relatively higher possibility of a search by the department.	A lower possibility of a search by the department since invoice details at the transaction level is already available with them.

Challenges in preparing for the e-invoicing system

| *Changes to the ERP System*

Businesses subject to e-invoicing must tune their ERP systems to incorporate the changes required for meeting the standard format of the e-invoice. Businesses must spend time and meet the costs to prepare for this change. Also, the printing of the QR code (scanning this QR code identifies the IRN) on the current invoice format is necessary. Further, the taxpayer must make arrangements for storing the IRN and e-invoice details for future reference. Hence, archiving the e-invoice data becomes crucial for audit.

| *Prepare for an ERP Integration*

Businesses must integrate their ERP systems with that of IRP/GSP/ASP to allow a smooth flow of invoice data to IRP and e-invoices back to the ERP system. The GSTN has released APIs for the purpose.

| *Sorting of Invoices as B2B and B2C*

While generating an e-way bill, workflow changes will be found for the B2B and B2C invoices. In the case of B2B invoices, they may require both e-way bills and e-invoice to be generated, whereas B2C invoices may require only e-way bills. In most of the cases, the transporter ID will need to be mentioned at the source in cases where e-way bill generation is required. Hence, sorting of invoices between those that require e-way bill and those that do not require e-way bill becomes an apparent challenge.

| *Workflow changes for different invoices*

A separate workflow must be in place for delivery challans, bill of supply and job work because of non-requirement of e-invoice.

| *Additional Task may lead to time lag issues*

There is a certain extent of time lag due to any system failure for sending invoices to buyers/customers. Further, in the case of generation of an e-invoice against an incorrect invoice or invoices with errors, it requires regeneration of a revised invoice and in turn a new e-invoice. In such a case, the original Invoice Number and the IRN will be different. A period of 24 hours has been provided for the amendment or cancellation, which could fall short for a taxpayer.

| *Implementation issues until stabilisation*

Due to a large taxpayer base, unlike the e-way bill, the system may experience portal scalability issues.

| Reconciliation of data reported by IRP on the GST portal and e-way bill portal

It becomes pertinent to check and reconcile on a regular basis of the data that is reported by IRP on the ANX-1 and e-way bill portal. Any mismatches with your Books of Accounts must be fixed at regular intervals. Care must be taken to report such return information in ANX-1 that does not require e-invoice.

| Questions that remain unanswered

Will the auto-populated data in the e-way bill be revoked when an e-invoice is cancelled due to incorrect details? The mechanism involved remains to be answered.

The popularity of e-invoice has reached across the globe with over 60 countries participating in the system. India will soon be added to the list and thus pave the way for an efficient tax return processing system that eliminates the data entry errors to an enormous extent.

ClearTax Offerings for e-Invoicing Solution

e-Invoicing can be a paradigm shift in the Procure-to-Pay process. ClearTax is offering the best-in-class and smart solution for Enterprises to thrive in this shift. The salient features are as follows:

- Smart Validations alongwith SSL encryption and PCI compliance for a 100% compliance to preempt possible issues to ensure data correctness
- Provision for Bulk uploading & a complete two-way integration with your ERP for seamless flow of data
- Customised Template & Printing as per your business needs
- Useful and insightful data analytics via easy-to-share reports
- Allows sending notifications and alerts via email and WhatsApp to your customers and across internal teams
- Single-click reconciliation of e-invoice data with ANX-1 & EWB to check and rectify differences, if any
- E-invoice archiving enabled with 100% data privacy (ISO 27001 certified: Quarterly VAPT and external audits to check controls)
- Effective user access controls and completely secured access to VPC premises (SSH portal closed at all times)
- Inbound e-invoices from your Supplier

An Integrated Solution for e-Invoicing Solution

We are offering a best-in-class solution to generate e-Invoices and be compliant with the latest mandates / regulations by the GSTN. We provide 3 different ways to ingest the invoices to ClearTax for e-invoicing:



Custom excel upload approach



Hassle free SFTP based integration



Seamless API integration

Custom excel upload approach

You can download data from your ERP in Excel/CSV format and upload that data on to an ASP.

Step - 1

Upload a file

Upload a file containing the invoice details. XLSX/CSV/XLSM files are supported



Step - 2

Map the fields

Match the columns in your file to the corresponding columns in cleartax biz



Step - 3

Save as template

Save your matched fields as a template and use them to generate e-Invoices



2. Multiple templates

ClearTax accept multiple templates in the form of Excel and CSV

3. Multi GSTIN Ingestion

Multiple GSTINs can be uploaded in one go

4. Error Validation

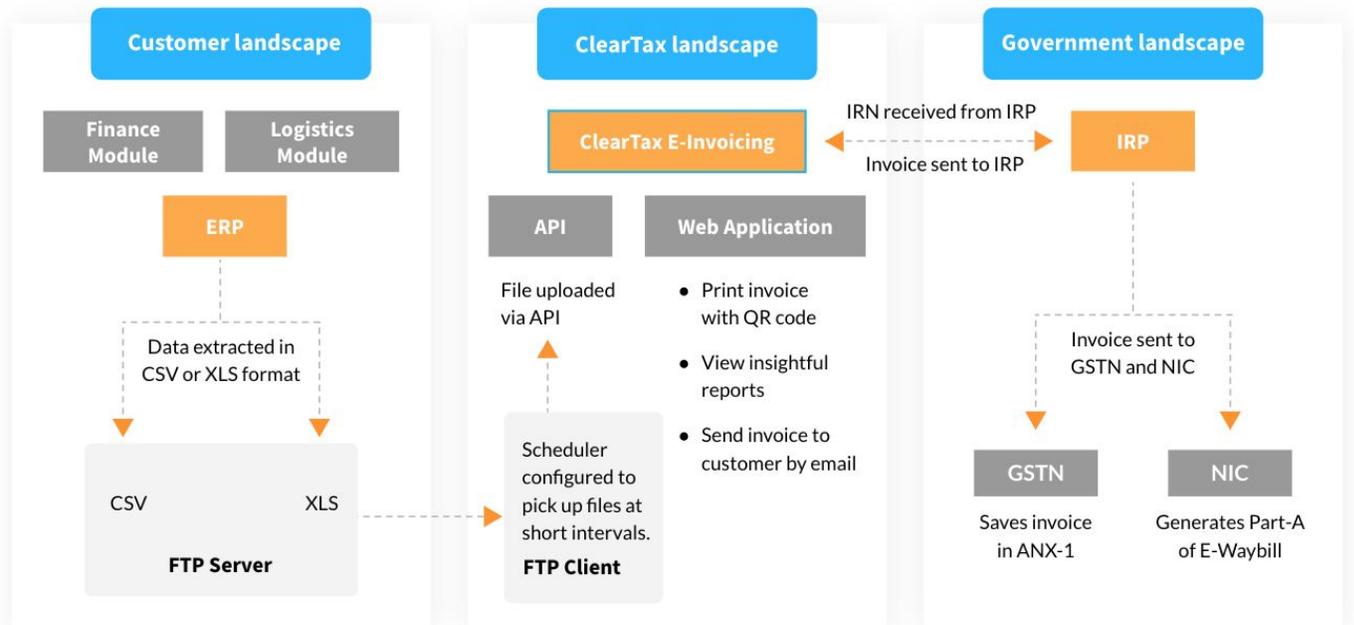
Multiple validations for ensuring that the data sanity is checked at the source



Simplifying Financial Lives

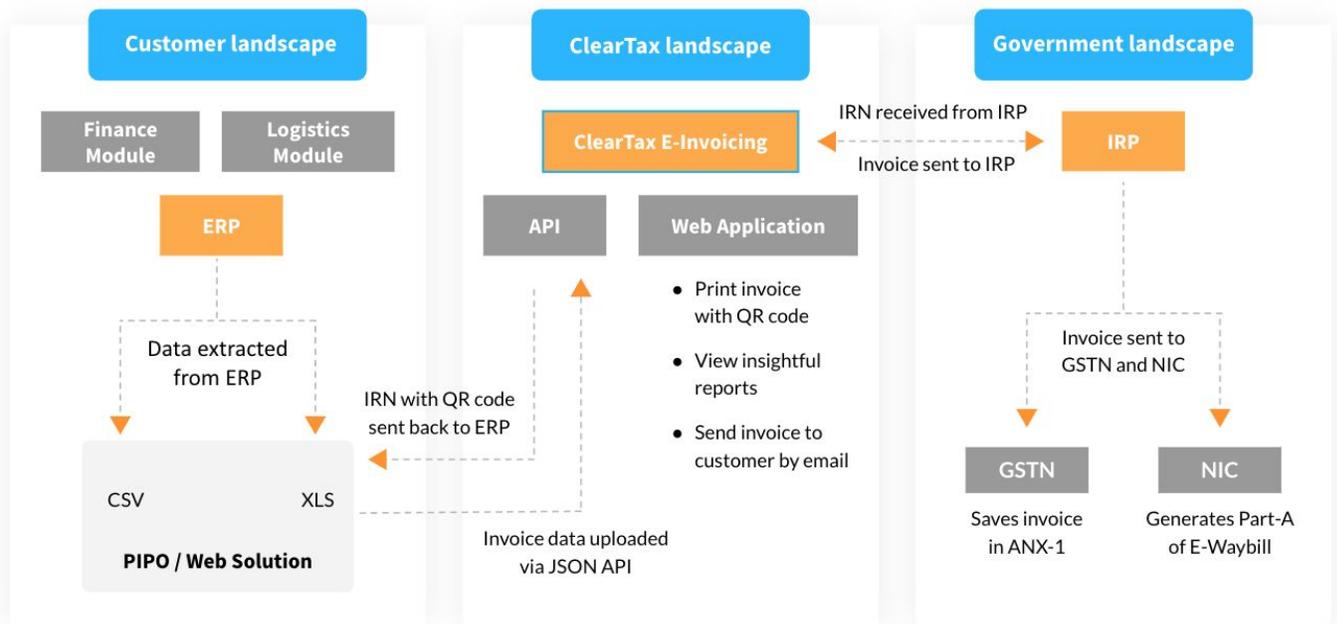
SFTP based approach

You can push your data in batch mode to a SFTP folder, which will be picked by ASP to process further. The results will be stored back in the same folder accessible to you.



API Based Approach

Your data will be picked directly from your ERP on near real time basis and processed further. The results will be updated back in your ERP.



Thank you

We look forward to being your go-to partner for e-invoicing



For more information about e-invoicing, reach out to us at:

india-sales@cleartax.in



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