

Summary of key E-invoice clarifications issued FAQs published on 14.09.2020

Key clarifications issued on Applicability of E-invoice:

- Presently mandated for registered persons whose aggregate turnover (based on PAN) **in a financial year** is more than Rs. 500 crores. The exemption from e-invoicing is with respect to the entity and not with respect to the nature of supply / transaction. Also, presently, only the notified class of persons will be allowed/enabled to report invoices to IRP

Dhruva comments: Neither the provisions nor the FAQ make any reference to turnover for Previous Financial year. FAQ 21 though mentions that “as a facilitation measure, taxpayers who had crossed the prescribed turnover in a financial year from 2017-18 onwards have been enabled to report invoices to IRP. Note that this list has been prepared based on the turnover of GSTR-3B as reported by GSTINs to GST System. Thus, it is not the final one, in case a taxpayer has or had aggregate turnover **in any financial year since introduction of GST**, is mandated to report e-invoice to IRP

There is currently no clarity on whether e-invoicing is applicable in a situation where there is a merger / de-merger or business is transferred as a going concern during any financial year [e.g. transferee’s turnover in any previous Financial year does not exceed INR 500 crore. Also, the transferor’s turnover in the current Financial year will not exceed INR 500 crores as a result of transfer of business. However, it appears that transferee will not have to issue e-invoices, whereas, transferor will have to, though, logically, it is more relevant for transferee than the transferor]

- Covered under e-invoicing:
 - Invoice, credit notes and debit notes are covered under e-invoicing
 - Supplies to registered persons (B2B)
 - Exports (with/without payment)
 - Supplies made by notified persons to SEZ units (similar to any other B2B transactions).
 - Deemed Exports, by notified class of taxpayers are currently covered under e-invoice.
 - Supplies made by person covered under 9(3). For example, a notified person say a firm of advocates having turnover in a FY of more than 500 crores, is supplying legal services to a company (who will



- be discharging tax liability as recipient under Reverse Charge Mechanism), such invoices have to be reported **by firm of advocates to IRP**, however, URD supplies and import of services not covered
- SEZ Developers, as only SEZ units are exempted from issuing e-invoices

***Dhruva comments:** A cross charge invoice between distinct entity being a supply invoice would get covered. The recipient of services is not required to generate any e-invoice in case of services covered under Reverse charge mechanism. The notified supplier will generate the e-invoice if otherwise covered i.e. turnover exceeds INR 500 crore*

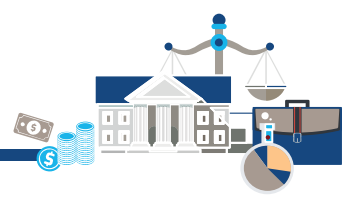
- Not covered under e-invoicing:
 - B2C invoices are not covered and neither are allowed to be reported in the current phase
 - Imports Bills of Entry
 - Free Trade & Warehousing Zones (FTWZ)
 - Invoices issued by Input Service Distributor
 - Insurer, banking company or financial institution, including a non-banking financial company, GTA supplying services in relation to transport of goods by road, supply of passenger transport service and Suppliers of services by way of admission to exhibition of cinematograph films in multiplex screens, are excluded from issuing e-invoices.

***Dhruva comments:** There is currently no clarity on whether for banking company or financial institution, including a non-banking financial company, only banking and financial services are excluded or will the exclusion apply to other services. In other words, is the exclusion qua an entity or nature of service. On a strict reading, the same applies qua an entity and not the nature of service*

- An e-commerce operator may generate e-invoice on behalf of the sellers on their platforms which are otherwise notified persons and are supposed to issue e-invoice under rule 48(4)

Clarification issued on E-invoice – Reporting / Generation / Verification of IRN and QR Code:

- For the ease of businesses, at present, there is no specified time window / validation within which the notified person needs to report an invoice on IRP for generation of IRN, as against the time limit of 48 hours prescribed previously
- Signature (DSC) of the supplier is not mandatory while reporting E-invoice
- IRP will return only the signed JSON and no PDF will be returned. Respective ERP or Accounting and Billing software system can generate PDF for internal use or to be issued to buyer
- Entities not having their own ERP/Software solutions, they can use the free offline utility ('bulk generation tool') downloadable from the e-invoice portal. Through this, invoice data can be easily reported to IRP and obtain IRN/signed e-invoice.
- IRP will not store or archive e-invoice data as it is only a pass-through portal which performs prescribed validations on invoice data and generates IRN
- IRN is embedded in the QR Code which is mandatorily required on the invoice. Printing of IRN separately on the invoice is optional. The IRP portal will also give an Acknowledgement No. and Date. These are for reference purpose only and need not be printed on the invoice.



- QR code should be clear enough to be readable by a QR Code reader and the size and its placing on invoice is up to the preference of the businesses
- A system to verify the authenticity and correctness of e-invoice is provided, by uploading the signed JSON file or Signed QR Code (string) into e-invoice system
- A dynamic QR code which enables a buyer to make digital payments by scanning the QR code has no relevance or applicability to B2B supplies by notified class of tax payers.

Dhruva comments: Post incorporating the QR code on the invoice, the supplier can issue a usual system generated tax invoice with his digital signature.

Clarification issued on E-invoice schema / contents:

- E-invoice schema is common across different sectors/businesses. However, many optional fields shall be available to cater the requirements of specific businesses and practices followed in industry. Data fields are marked as ‘Mandatory’ and ‘Optional’. If value for mandatory filed is no available, it has to be reported as ‘Nil’
- ‘Cardinality’ is marked as 0..1 / 1..1 / 1..n / 0..n. for each field in the e-invoice schema. This has been made to denote mandatory or repetitive field as defined under:

Notation	Meaning
Starts with 0	Optional field
Starts with 1	Mandatory field
Ends with 1	Data for the field can be entered only once
Ends with n	Data for the field can be entered multiple times

- Maximum number of line items which are allowed to report in an e-invoice is 1000. The notified person who are required to report more than 1000-line items may contact NIC support team with a few sample invoices.
- Other charges leviable to GST can be added as a separate line item in the e-invoice schema for e.g. Freight charges, insurance, packing and forwarding, amortization charges etc.
- Provision for Tax Collected at Source (TCS) collected by supplier under Income Tax Act, 1961 will be examined in next round of revision. Until then, the field of “Other Charges (Invoice Level)” can be used to mention such TCS where it doesn’t form part of taxable value. Also, currently there is no provision to mention details of supplies not covered under GST (e.g. a hotel intends to issue invoice for food & beverages covered by GST and for Alcohol – not covered under GST). To report details of such supplies, a separate invoice may be issued to the buyer
- The linkage of credit/ debit note with original invoice has not been built in the IRP

Clarification issued on E-invoice communication/ Amendment / Cancellation:

- IRP will not send the E-invoice to the recipient. This has to be done by the supplier after incorporating QR code on the e-invoice. The supplier can share the PDF of the JSON received from the IRP as the best authenticated version of the e-invoice for business transactions. A mechanism for system to system exchange of e-invoices will be made available in due course.



- Amendments are not possible on IRP. Any changes can only be done on GST portal (while filing GSTR-1). In case GSTR-1 has already been filed, then, the amendment mechanism prescribed by GSTN has to be used.
- A cancellation request can be triggered through cancel API **within 24 hours from the time of reporting the invoice to IRP**. However, if the connected e-way bill is active or verified by officer during transit, the same cannot be cancelled. In case of cancellation of IRN, GSTR-1 status will also be updated with such 'cancelled' status. Once an IRN is cancelled, the concerned invoice number cannot be used again for generation of another invoice.
- A partial cancellation of e-invoice is not permitted. It has to be cancelled completely.

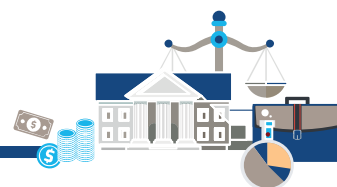
Dhruva Comments: As a process, an IRN has to be first cancelled before cancellation of invoice in the ERP system. Adequate checks should be built in for this. If a cancel invoice trigger is initiated from the ERP system, it should first be ensured that IRP gets cancelled before the invoice gets cancelled in the ERP system. Validation checks should be made to ensure that invoices only get cancelled when there is a flag in the ERP system that the IRN has got cancelled. If the cancellation of invoice has been triggered from the IRP portal, the cancellation flag should be reverse integrated in the ERP tables and it should be ensured that the relevant invoice is also cancelled – either automatically (preferable) or manually. The data which is pulled for filing of the returns by the ASP should also check for such flags and ensure reporting of only valid invoices.

Clarification issued on E-invoice – Linkage with E-way bill / GSTN portals:

- E-way bill continues to be mandatory even in case where e-invoice is generated. The details provided in e-invoice schema will be used to generate e-way bill, to the extent the data provided by user. In case Part B details are not provided at the time of reporting invoice to IRP, the same will have to be provided by the user through 'e-way bill' tab in IRP log in or e-Way Bill Portal, so as to generate e-way bill.
- The e-invoice reported on IRP will be auto-populated in GSTR-1 of supplier and GSTR-2A of respective buyer with source marked as 'e-invoice'.

E-invoicing Enablement Status:

- As mentioned earlier, Government has listed e-invoicing enablement status for taxpayers who had crossed the prescribed turnover of Rs. 500 crores in a financial year from 2017-18 onwards on the basis of their turnover reported in GSTR-3B. One can search and cross-check the status of enablement of a GSTIN on e-invoice portal: <https://einvoice1.gst.gov.in/> >> Search >> e-invoice status of taxpayer
- In case any registered person, is required to prepare invoice in terms of Rule 48(4) but e-invoice status is not enabled on the portal, they may request for enablement on portal: **'Registration >> e-Invoice Enablement'**
- In case any registered person, who doesn't have the requirement to prepare invoice in terms of Rule 48(4) but e-invoice status is enabled on the e-invoice portal, the same may be brought to the notice at support.einv.api@gov.in





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