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Steps to generate e-invoice under GST



CA Ruchika Tulsyan

on 22 October 2019

Background: GST Council in its 37th Council meeting held on 20 September 2019 approved the standard of E-Invoice and it has been publish on GST portal along with scheme.

What is E-Invoice?



E-Invoicing is a process in which all the B2B invoices created by accounting software will be authenticated electronically by GSTN for further use (like return preparation, E-way bill creation).

There are lot of myth or misconception about e-invoice. E-Invoice does not mean generation/creation of invoices from central portal or tax department because practically it is not possible it will create unnecessary restrictions on trade and industry and different industry have different business requirement, which cannot be met out by one software.

E-Invoice is a submission of already generated Invoices from accounting softwares to GST Portal and we all are aware that there are hundreds of accounting & billing softwares, which generate invoices, but they all use their own formats to store information electronically and data in such different-different formats cannot understand by the GST System, hence it was not possible to submit the data from accounting softwares (Like ERP/Tally/SAP) to GST System.

So, need was felt to issue a standard format (Schema) in which data will be shared with other systems, although from user prospective it's same as earlier, there would not any change in print or electronically creation of invoice.

Only standard schema needs to be implemented by all the accounting and billing software so that it can generate JSON of each invoice in such format which can be uploaded on GST Portal for further authentication and approval.

In short, E-Invoice is mechanism only specify invoice schema and standard for each data exchange among all accounting/billing software and all businesses.

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E-invoice format issued by GSTN have some mandatory fields and some non-mandatory fields



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Benefits on E-Invoicing System

1. One time reporting of B2B invoices and further authentication from GST Portal will auto prepare ANX-1, ANX-2 in new return format and GSTR-1 in current format up to B2B Supplies.
2. E-way Bill will also be created through E-Invoicing data only vehicles details needs to be updated.
3. Here once invoice which will be uploaded by supplier on GST system for authentication will be further shared with corresponding buyer on his mail id mentioned on e-invoice, hence buyer can do reconciliation with his purchase order and accept/reject on real time under New Return.
4. System level matching will be done for input credit and output tax.
5. E-Invoice will be created for Invoices, Debit Note, Credit Note and other document required by law.

Process of creation of E-Invoicing:

Generation of E-Invoicing will be the responsibility of the taxpayer who will be required to report the same to Invoice Registration Portal (IRP) for authentication, which in turn will generate a unique reference number (IRN) and digital sign the e-invoice and also generate a QR code and will return the invoice to the seller. IRP will also send the digital signed e-invoice to the recipient of the document on the e-mail provided in the e-invoice.

Step-1: Seller will create his invoice in his accounting or billing system, Invoice should be in conformity with e-invoice schema (standards) that is published and have the mandatory parameters

Supplier's software would generate a JSON against each B2B invoice that will be further uploaded on the IRP Portal. IRP (Invoice Registration Portal) will only take the JSON of the e-invoice.

Step-2: In next step is to generate Invoice Reference Number (IRN) (in technical term IRN number is hash of 3 parameters using a standard and well-known hash generation algorithm) it is an optional step; seller himself can generate IRN number based on defined algorithm.

Step-3: is to upload JSON of the e-invoice (along with Hash if generated by the seller) into the IRP by the seller. JSON may be uploaded directly on the IRP or through GSP's or through any other third party.



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Step-4: IRP will generate the Hash or validate the hash of the uploaded JSON, if uploaded by the supplier. Upon authenticate the same with central registry of GST System IRP will add its signature on the invoice data and as well as QR code to the JSON.

Hash computed by the IRP will become the IRN (Invoice Reference Number) of the E-Invoice.

It shall be unique to each invoice and hence be the unique identity for each invoice for the entire financial year in the entire GST System for a taxpayer.

Step-5: it involves sharing of uploaded data with GST and E-Way bill system

Step-6: Here IRP will return the digitally signed JSON with IRN back to the seller along with a QR code. The Registered invoice will also be sent to the seller and buyer on their mail ids as mentioned in the invoice.

Summary:

- E-invoices will not be generated by the GST Portal; it will be generated only on the internal accounting/billing system of taxpayer (ERP/SAP/Tally) or other application.
- It will be uploaded into the GST ANX-1 only once it has been validated and registered by the invoice registration system
- E-Invoice schema issued by GST System will be used by the all kind of businesses. The Schema has mandatory and non-mandatory fields, mandatory fields has to be filled by all the taxpayers. Non-mandatory field is for the business to choose.
- Maximum number of line item per invoice is 100.
- E-Invoice will be authenticated with the digital signature of the IRP.
- Each E-Invoice will be uploaded for registration on IRP within time line (will be notified by the Government) without registration of the e-invoice the same will not be valid (required changed will be made in the law).
- E-Invoice cannot be partially cancelled; it has to be fully cancelled.
- E-Invoice mechanism have an option to cancel the invoice within 24 hours of registration of IRP. Any cancellation after 24 hours could not be possible through IRN, taxpayer have to manually cancel the same on GST Portal before filing the return.
- E-Invoice mechanism expected to be rollout in phases from 1Jan 2020 on voluntary basis.
- Initially the e-invoice mechanism will be allowed for taxpayers above a certain turnover or above a certain invoice value or also to volunteers.
- Later on, it will be enabled for all taxpayers in a phased step-wise manner.

The author can also be reached at ruchika.tulsyan@gmail.com

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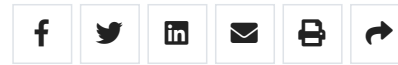
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